
HEINZ
2003
ANNUAL
REPORT
Four Imperatives
for Brand Growth
NET WT 20 OZ (1 LB 4 OZ)-567g
Ore-Ida
Smart Ones
Bistro
SALADE
TEXANE
CLASSICO
HEINZ
Weight Watchers
HEINZ
HONIG

Tomaten
Soep
Wattie's
1934
Soup
TO GO
THON BLANC
AU NATUREL
PETIT NAVIRE
HEIN
KECAP
MANIS
ABC
57
Organic
HEINZ
Organic
agel Bites
CHEESE, SAUSAGE & PEPPERONI
Wattie's
READY TO SERVE
SOUP FOR ONE
Plasmon
MANZO

FINANCIAL HIGHLIGHTS *H.J. Heinz Company and Subsidiaries*

(In thousands, except per share amounts)	*2003 (52 Weeks)*	*2002 (52 Weeks)*
Sales	$ 8,236,836	$ 7,614,036
Operating income	1,173,816	1,299,872
Income from continuing operations before cumulative effect of change in accounting principle	555,359	675,181
Net income	566,285	833,889
Per common share amounts:		
Income from continuing operations before cumulative effect of change in accounting principle—diluted	$ 1.57	$ 1.91
Net income—diluted	1.60	2.36
Cash dividends	1.485	1.6075
Book value	3.41	4.90
Capital expenditures	$ 153,969	$ 193,854
Depreciation and amortization	214,762	242,848
Property, plant and equipment, net	1,957,866	1,909,112
Cash, cash equivalents and short-term investments	$ 801,732	$ 202,403
Operating working capital	711,240	891,005
Total debt	4,930,929	5,345,613
Shareholders' equity	1,199,157	1,718,616
Average common shares outstanding—diluted	354,144	352,872
Current ratio	1.71	1.16
Debt/invested capital	80.4%	75.7%
Pretax return on average invested capital	16.1%	18.8%
Return on average shareholders' equity	32.7%	43.7%

All periods presented include significant non-recurring items; see Management's Discussion and Analysis for details.

All earnings per share amounts are on an after-tax diluted basis.

DEAR FELLOW SHAREHOLDERS

Fiscal 2003 was a generally positive and productive year for Heinz, during which we improved our global portfolio of brands and better positioned our company against our goals of sustainable growth and shareholder value. We had many significant achievements during the year, as well as a few disappointments that we are working to correct. Overall, the net result was a transition to a more focused, attractive and internationally based company with a powerful portfolio of brands and what we believe will be an effective growth strategy for Heinz in Fiscal 2004 and beyond.

We accomplished most of our key goals for Fiscal 2003, starting with the successful spin-off and merger of our North American pet food and tuna businesses and our U.S. retail soup and baby food businesses with Del Monte Corporation. This transaction, which was outlined in last year's Annual Report and completed just five months later, greatly reduced our debt, resulted in improved margins and generally repositioned Heinz to capitalize on its stronger core global brands. Our performance is best exemplified by the achievement of Fiscal 2003 earnings within the range we outlined last year, and by the achievement of other key financial goals first articulated in our outlook for Fiscal 2003. These include:

- Increasing operating free cash flow (cash provided by operations less captial expenditures) by 45%, or $232 million, to a record $752 million; excluding $224 million in pension fund contributions, our total operating free cash flow would have exceeded $900 million;
- Increasing net sales from continuing operations by 8.2% to $8.24 billion;
- Reducing net debt by $1.3 billion;
- Reducing our year-end cash conversion cycle by 16 days to a record 66 days;
- Reducing Quick Operating Working Capital to a record 16.8% of sales;
- Managing capital expenditures to just under 2% of net sales; and
- Accomplishing these goals while also increasing our investment in trade and consumer marketing against our leading brands by almost $200 million.

Our Fiscal 2003 net sales increase benefited greatly from the impact of foreign exchange translations following nearly six years of negative impact. We also benefited from pricing—especially in hyperinflationary countries—and strong performance across the globe from key brands like Heinz® Ketchup, Heinz® soups and sauces, Smart Ones® frozen entrees, T.G.I. Friday's® frozen snacks and Heinz® and Plasmon® baby foods. Overall unit volume declined, however, as our efforts to simplify our supply chain by reducing the number of SKUs (Stock Keeping Units) reduced sales by more than $100 million. We expect considerable and lasting benefit from our SKU-reduction initiative. We also experienced sub-par performance in our U.S. foodservice business, as a function of the poor economy, and in our Ore-Ida,® Boston Market® and Bagel Bites® frozen brands after four straight years of growth. We are seeing a turnaround in foodservice and addressing the issues in our frozen business (as noted on page 4).

Finally, as first announced in June 2002, we adjusted our dividend in April 2003 to an annual indicated rate of $1.08 per share to reflect our new size following the spin-off and to provide greater financial flexibility. Heinz's dividend still offers an attractive yield above 3%—better than the industry average and in the top 20% of the S&P 500. It is our stated intent to pay out 45%–50% of earnings to shareholders in the form of dividends.

Heinz

As the second half of Fiscal 2003 began on October 31, 2002, it became clear that the Del Monte transaction would be completed on schedule without significant change from our original plan. Total Heinz shareholder return has increased approximately 17% from that point to early July 2003, when this Annual Report was prepared. This return surpassed the S&P 500's increase of nearly 13% for the same period and was far above the approximately 6% increase for our peer S&P Food Group. Heinz's stock performance during this time reflects the market's recognition not only of the strategic benefit of the Del Monte transaction but also of Heinz's ability to execute successfully against its strategy of strengthening its core brands and businesses worldwide.

Going forward, Heinz's growth strategy is based on Four Imperatives, which were introduced to strong employee acceptance in January 2003, shortly after the completion of the Del Monte transaction:

DRIVE PROFITABLE GROWTH through superior products and packaging, everyday price/value, accelerated innovation and creative marketing. A perfect example is the great success of our new Heinz® Easy Squeeze!™ "upside-down" Ketchup bottle, which promises to be the most successful new ketchup product since the introduction of the plastic bottle.

REMOVE THE CLUTTER through simplified business structure, improved accountability and greater focus in our portfolio through continued reduction of marginal SKUs and non-core businesses and assets.

SQUEEZE OUT COSTS through reduced fixed costs, a more productive supply chain, improved cash management and greater efficiency in working capital and capital expenditures.

MEASURE AND RECOGNIZE PERFORMANCE through a balanced scorecard that aligns management compensation to key financial and non-financial indicators based on the ultimate goal of building sustainable earnings growth.

These Imperatives share a common purpose: to focus greater human and financial resources toward supporting the growth of our top brands around the world.

Our profit outlook for Fiscal 2004 is for full-year EPS in the range of \$2.15–\$2.25. This range would represent excellent performance given the anticipated impact on earnings from rapidly escalating pension and healthcare costs, as well as several non-core-business divestitures. Our outlook also reflects the positive impact that we expect from continued strength in the Euro and British Pound, which represent more than 35% of our sales.

A key growth factor for Fiscal 2004 will be continued innovation, such as the summer launch of our convenient and flavorful EZ Marinader™ in the U.S., along with a European "top-down" version of Heinz® Easy Squeeze!™ Ketchup, which has quickly attracted great media and consumer interest. As in Fiscal 2003, we plan to increase marketing spending against our leading brands worldwide.

We will continue to focus and simplify our portfolio, targeting a further reduction in SKUs by fiscal year's end and the sale of several non-core underperforming assets. We also see significant opportunities to further increase operating free cash flow, improve our cash conversion cycle, and reduce fixed costs, working capital and net debt. All of this will leave us with a stronger balance sheet.

We are aggressively addressing the challenges we referenced earlier and are starting to see a turnaround in North American Foodservice in response to improved performance from our key customers. We are also working to correct many of the issues that affected our frozen brands by repricing and restaging several businesses. We have successfully employed this two-pronged approach in other categories to heighten the differentiation of our brands while attaining more competitive price premiums so critical in today's low-price environment.

Brand growth, innovation, more competitive pricing and product differentiation will be key for Heinz's performance in Fiscal 2004. Our focus is on our top 15 brands, which globally account for approximately 60% of our total sales and nearly 70% of our profits. The power of retail brands, like Heinz,® Ore-Ida,® Smart Ones,® Plasmon,® John West,® ABC® and Wattie's,® along with foodservice brands such as Heinz,® Chef Francisco,® Escalon® and Dessert Inspirations,® gives us number-one and number-two positions in growing categories with exceptional market shares around the world. Brands are our heritage and our future. Their growth and success will determine the value of our company.

Heinz is now the most internationally focused of U.S.-based food companies, with more than 60% of our sales derived from outside the United States. Our global strategy is driven by the opportunity to help feed a world with more than 5.5 billion people beyond our home borders—many of whom have strong brand loyalty and live in rapidly growing economies. Henry J. Heinz himself recognized this, once commenting that "the world is our field." In 1886 he ventured to the U.K. to open a thriving new market, and his legacy is our encouragement. Heinz is successfully building excellent businesses in Indonesia, China, the Philippines, The Netherlands, Germany, the U.K., Italy and New Zealand that demonstrate the potential of these markets. It is an exciting and distinctive element of the Heinz portfolio that we believe will yield significant rewards.

Finally, we must also address the emerging issue of obesity and public health, where we believe that we are well-positioned throughout the developed world with Heinz processed tomato products, Smart Ones® low-calorie frozen entrees, Heinz® and Plasmon® baby foods, Tegel® chicken, Heinz® beans and soups, to name just a few. We are committed to appropriate marketing practices and working aggressively to differentiate ourselves in an area where we see great promise.

We are confident this strategy will position us to build on the progress we made in Fiscal 2003. We could not, of course, transform our business or pursue our strategies without the advice and support of a fully engaged and active Board of Directors. I particularly want to recognize two retiring board members, Nicholas Brady and Samuel Johnson, who have served Heinz shareholders wisely and well for many years. The impact of their perceptive and experienced counsel will be felt long after their departure, and we are most grateful for their invaluable contribution to the H.J. Heinz Company.

In closing, I also want to give a special thanks to Heinz employees around the world for their hard and dedicated work during Fiscal 2003. They have achieved a remarkable transformation and championed new and exciting ideas to improve our performance and grow our brands. The result is a stronger and better Heinz with a powerful, focused portfolio and geographical mix that ranks among the world's best. We are eager to leverage this opportunity through global application of our Four Imperatives with the goal of attaining sustainable growth and exceptional shareholder value in Fiscal 2004 and the years to come.

Bill Johnson

William R. Johnson
Chairman, President & Chief Executive Officer

FOUR IMPERATIVES FOR BRAND GROWTH

HEINZ'S BRAND GROWTH STRATEGY, INTRODUCED BY HEINZ CHAIRMAN, PRESIDENT AND CEO BILL JOHNSON IN JANUARY 2003, IS BASED ON FOUR IMPERATIVES DESIGNED TO 1) DRIVE PROFITABLE GROWTH, 2) REMOVE THE CLUTTER, 3) SQUEEZE OUT COSTS, AND 4) MEASURE AND RECOGNIZE PERFORMANCE. EACH IMPERATIVE CAPITALIZES ON UNIQUE OPPORTUNITIES. EACH IS MANIFEST IN WORLDWIDE INITIATIVES CURRENTLY UNDER WAY. EACH IS DESIGNED TO HAVE A TANGIBLE IMPACT IN TERMS OF SUSTAINED GROWTH AND INCREASED SHAREHOLDER VALUE. THE FOLLOWING SECTION OUTLINES HEINZ'S FOUR IMPERATIVES IN THE CONTEXT OF THEIR OPPORTUNITIES, INITIATIVES AND ANTICIPATED IMPACT.

Opportunities

Heinz has an exceptional global portfolio of 15 power brands, led by the $2.7 billion Heinz® brand and including U.S. favorites such as Ore-Ida,® Smart Ones,® Classico,® Bagel Bites,® Delimex,® Boston Market® and T.G.I. Friday's,® as well as Italy's Plasmon,® the U.K.'s Weight Watchers from Heinz® and John West,® Indonesia's ABC,® France's Petit Navire,® The Netherlands' Honig® and New Zealand's Wattie's.® With number-one or number-two market positions around the world, these $100 million-plus brands offer significant growth potential from new products and packaging, market expansion and improved price/value to excite consumers and increase brand loyalty.

Initiatives

Heinz continues to launch new and differentiated products and packaging, ranging from Heinz® Easy Squeeze!™ "upside-down" Ketchup and EZ Marinader™ pouch marinades in the U.S. to Heinz® microwaveable Soup Cups® and "Bite Me"® frozen snacks in the U.K. to Petit Navire® Salad Helpers® in France to vitamin-fortified Heinz® Ketchup in Thailand. The company is also expanding its brands into new, fast-growing channels, such as club and dollar stores and convenience stores, which are well-suited to Heinz's grab-and-go varieties. In Asia, Heinz is targeting four to six countries, with millions of consumers, to each reach $100 million in sales by Fiscal 2005.

Impact

By investing in its leading brands, Heinz is aiming for profitable sales growth of 3%–4% annually. Heinz's "high-octane" portfolio has number-one or number-two brands in more than 50 countries. Heinz is leveraging this brand leadership to increase market shares, expand categories and extend the reach of its big brands into new channels and fast-growing developing economies, particularly in the Asia Pacific region. Innovative packaging and competitive price premiums have helped Heinz® Ketchup boost sales and achieve record market shares—providing a formula that will be applied in other categories to drive brand growth.

HEINZ 57
Plasmon
Weight Watchers HEINZ
RILLETTES THON
HEINZ 57
HEINZ Cream of Tomato soup
HEINZ
WeightWatchers Smart Ones
Ore Ida
HEINZ Light Salad Cream
Kippen Soep
DRIVE
PROFITABLE
GROWTH

Opportunities

Like any large, international enterprise, Heinz has, over time, accumulated complexity and bureaucracy in its administration and production that can be significantly reduced. Management layers and administrative and operational functions can be better aligned and more customer-focused. Tens of thousands of packaging and ingredient specifications can be tracked, managed and reduced. At the outset of Fiscal 2003, Heinz had more than 30,000 Stock Keeping Units (SKUs), many of which were diverting human and capital resources while yielding relatively small sales and earnings compared to Heinz's more popular and profitable products.

Initiatives

Heinz is aggressively attacking complexity on many levels. The company is working to reduce its large number of legal entities and general ledgers to simplify and streamline the legal and accounting process. The post-spin U.S. businesses are being reorganized to increase efficiency, improve accountability and sharpen customer focus. Heinz has launched VIPER (Vendor Improvement and Product Enhancement and Research), a global computerized platform designed to enable the company to dramatically simplify its myriad product specifications. Heinz also reduced its worldwide SKUs by nearly 30% in Fiscal 2003 and is targeting an additional reduction of 10% by Fiscal 2005.

Impact

By removing "clutter," Heinz expects to improve customer service on fewer, faster-growing products and reduce employee time wasted on bureaucracy. Simpler and more focused management, legal and accounting structures will enable the company to pinpoint accountability, measure effectiveness and empower employees to do value-enhancing work. Better tracking and management of product specifications and vendor relationships are expected to greatly reduce complexity and cost throughout the supply chain. SKU reduction should enable Heinz to lower inventories, improve manufacturing efficiency and apply resources more effectively against the growth of its power brands.


Heinz
REMOVE THE CLUTTER
Bureaucracy
Red Tape
Slow-Moving Products

SQUEEZE OUT costs

Opportunities

Cost reduction is an ongoing opportunity as Heinz pursues continuous improvement in effectiveness, efficiency and performance. Fixed costs and working capital are particularly important areas for careful attention and constant action. Following the Del Monte transaction, the realignment of Heinz's business and cost structure in the U.S. is a significant opportunity, as the company adapts to the new size of its business and the changing needs of its retail and foodservice customers.

Initiatives

Aggressive cost reduction is not new at Heinz, but the company is more focused than ever on initiatives that will improve effectiveness and purge non-productive costs from the system. Having made marked improvement in working capital and capital expenditure efficiency in Fiscal 2003, the company is committed to continued progress in these areas and has established specific management goals for Fiscal 2004. Heinz has also begun a rigorous process for more effective global cash management. Heinz's U.S. employees have conducted a painstaking review of every aspect of their post-spin business and identified significant cost-reduction opportunities across every discipline.

Impact

Heinz's cost-reduction and cash-management initiatives helped generate significant increases in operating free cash flow in Fiscal 2003, and the company is targeting similar operating free cash flow generation in Fiscal 2004. Savings from these initiatives are expected to improve earnings and help offset rising pension and healthcare costs, an issue facing business and government organizations in general. Most importantly, an improved cost structure will help support competitive price premiums for Heinz's leading brands, as savings also help underwrite increased investment in innovation and marketing to sustain brand growth.

Opportunities

"What gets measured gets done" is a truism with powerful implications for Heinz's business performance. In the past, compensation for business unit management was focused almost exclusively on Operating Income excluding special items. While an important measure, it does not encompass the full range of criteria—both financial and non-financial—necessary to drive sustained, long-term sales and earnings growth. Specifying these criteria and assigning specific value to each indicator is a significant opportunity to link management performance more precisely and reliably to sustained improvement in shareholder value.

Initiatives

In Fiscal 2004, Heinz will adopt a "balanced scorecard" for measuring performance across a full range of factors now used as the basis for management compensation. These measures focus on sales, cash and earnings and include key financial indicators, such as unit and dollar sales, profit margins, cash flow, fixed costs, and cash conversion cycle. They also include key non-financial measures, such as product quality, employee safety, customer service, people development and market shares. Both personal and business incentives are aligned against the Four Imperatives to make them an everyday part of a "high-performance" culture at Heinz.

Impact

The application of a broad-based performance scorecard is designed to better align the daily actions of Heinz employees with the activities most relevant to maximizing shareholder value. By employing a range of measures, management incentives will reward those actions most directly aimed at generating sustained growth. By embedding Heinz's Four Imperatives into its compensation, the company should be able to measure its progress against its business strategy and shareholder value in specific, tangible terms.

MEASURE & RECOGNIZE PERFORMANCE

Fiscal 2003 was marked by dramatic change, as Heinz focused its U.S. operations on leading brands, such as Heinz® Ketchup, Classico® sauces and Smart Ones® entrees, and continued to invest in new ideas to grow its leading brands around the world.

The most significant event of the period was the transaction with Del Monte by which Heinz spun off its U.S. and Canadian pet food and pet snacks; U.S. tuna, retail private label soup and gravy and College Inn® broth; and U.S. infant feeding businesses and then merged them with a subsidiary of Del Monte. The transaction was completed on December 20, 2002, just six months after its announcement. The net result is a more focused company with a powerful global portfolio heavily weighted toward Heinz's strongest international brands.

The company's sales from its continuing (post spin-off) operations grew by 8.2% in Fiscal 2003 to $8.24 billion. Many of Heinz's key brands delivered strong performances in Fiscal 2003, led by Heinz's flagship ketchup brand, whose market share reached 60% in the U.S., surpassed 74% in the U.K. and achieved record highs in Canada, Switzerland, Denmark, The Netherlands and Australia. Heinz's soups and sauces had a good showing, with Heinz® soup in the U.K. boosting its market share by nearly 2 points to almost 60%. Smart Ones® frozen entrees recorded its fifth consecutive year of sales growth. Other strong performers were T.G.I. Friday's® frozen snacks in the U.S. and the retained Heinz® baby foods. Italy's leading Plasmon® baby foods gave an added boost to its marketing initiatives with the celebration of the brand's centenary.

Geographic mix also played an important role, as Heinz benefited from winning performances in Italy, The Netherlands, Germany, Canada, New Zealand and across the Asia Pacific region, particularly Indonesia and China. Approximately 60% of Heinz's total sales now comes from outside the United States, making it the most international U.S.-based food company.

GLOBAL SALES & MARKETING

The company invested $2.3 billion in marketing in Fiscal 2003, increasing trade and consumer spending by nearly $200 million.

Once more, innovation prompted continued growth for Heinz® Ketchup, as the Heinz® Easy Squeeze!™ "upside-down" Ketchup bottle was launched to rave reviews in the U.S. and was named one of the "Best New Products of 2002" by *USA Today/BusinessWeek*. The new bottle quickly captured 14% of Heinz's U.S. retail ketchup business and is being launched in 19 European countries, as well as in U.S. and Canadian foodservice in Fiscal 2004. Young American consumers were treated to a limited edition launch of Stellar Blue™ EZ Squirt® kids' condiment.

Heinz Foodservice's Red Forever Full™ Ketchup Bottle grew to almost 40% of Heinz's foodservice tabletop business. Heinz's bulk foodservice ketchup continues to grow with its own innovative packaging, such as the Pour, Store & Pump Jug, which sold nearly one-half million cases in the fiscal year. For the first time, Heinz Foodservice launched a consumer-directed advertising and PR campaign called "Insist on Heinz," helping Heinz regain accounts and drive new business.

Fiscal 2004 began with another "saucy" new idea in the U.S.: EZ Marinader,® a marinading pouch concept, which was introduced at the start of the grilling season and received excellent retail customer acceptance.

Heinz Europe also tempted consumers with new ideas, as Heinz U.K. began marketing a frozen snack under the

"Bite Me"® brand with unique programming and marketing elements in partnership with MTV® and other popular teen venues. The U.K.'s most popular soup brand launched convenient, hand-held Heinz Soup Cups® in on-the-go containers. Heinz® canned pasta introduced X-Men,® Spiderman® and Winnie the Pooh® pasta shapes.*

In The Netherlands, Heinz expanded its distribution channels by extending its popular Roosvicee® drinks line with varieties designed for sale at gas stations and sports centers, along with other away-from-home venues. Boosted by innovations, Heinz Italy's infant feeding volume grew by 3% and the company unveiled Plasmon® Junior Biscuits, the first biscuits especially designed for children over 18 months. In France, Petit Navire® offered Salad Helpers,® special tuna-based salad toppings.

Sales and operating income in the Asia Pacific region—which now constitutes 15% of Heinz's global sales—were given a strong boost by a major turnaround in New Zealand and continued growth in the expanding markets of Indonesia and China. New Zealand's Wattie's® brand name once again topped consumer recognition charts, being ranked by ACNielsen's supermarket survey as the nation's number-one consumer brand ahead of 5,000 others. Significantly reduced manufacturing costs produced a major turnaround for the Wattie's business in New Zealand. The Tegel® poultry brand turned in a strong growth performance, supported by innovative products such as chicken "rashers" (bacon strips) for health-conscious consumers.

Heinz's ABC® brand in Indonesia holds a market share of 50% in soy sauce and a 56% share in the juice segment. Overall, ABC® sales grew by 26% during the fiscal year. Ketchup shares in Thailand rose to 35% as its new vitamin-fortified Heinz Plus® line helped give the brand added cachet with consumers looking for improved nutrition and great taste.

PORTFOLIO IMPROVEMENT

As the company focused on transforming its U.S. business, other Heinz affiliates around the world sought opportunities to refine their portfolios by divesting non-core and underperforming businesses. Most recently, Heinz Canada divested the Omstead frozen fish and vegetable business and the U.K. sold several frozen pizza brands. Such transactions are designed to focus the company's resources on its higher-margin, best-performing brands and businesses.

CORPORATE GOVERNANCE

Heinz also continued to work to ensure the highest standards of corporate governance. Heinz has promulgated Global Operating Principles across all its businesses to convey the company's values and commitments to its employees and to the public. The company also introduced Supplier Guiding Principles. Both are accessible on the company's Web site, www.heinz.com. Heinz also has instituted a worldwide employee hotline as a vehicle to help ensure compliance with company policies and local laws.

The progress that Heinz and its Board of Directors have made in corporate governance has been recognized by Institutional Shareholders Services (ISS), a leading independent shareholders' rights organization. Heinz's corporate governance quotient, as ranked by ISS, was better than 99% of the companies in the food and drink industry and better than 97% of all the companies in the S&P 500.

** X-Men and Spiderman are registered trademarks of Marvel Enterprises, Inc. MTV and Winnie the Pooh are registered trademarks of Viacom Brand Solutions and Disney Enterprises, Inc., respectively.*

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FORM 10-K

OTHER INFORMATION

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended April 30, 2003

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to ___________

Commission File Number 1-3385

H. J. HEINZ COMPANY

(Exact name of registrant as specified in its charter)

PENNSYLVANIA (State of Incorporation)	**25-0542520** (I.R.S. Employer Identification No.)
600 Grant Street, Pittsburgh, Pennsylvania (Address of principal executive offices)	**15219** (Zip Code)

412-456-5700
(Registrant's telephone number)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	*Name of each exchange on which registered*
Common Stock, par value $.25 per share	New York Stock Exchange; Pacific Exchange
Third Cumulative Preferred Stock, $1.70 First Series, par value $10 per share	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ✓ No __

As of June 30, 2003 the aggregate market value of the Registrant's voting stock held by non-affiliates of the Registrant was approximately $11,618,470,904.

The number of shares of the Registrant's Common Stock, par value $.25 per share, outstanding as of June 30, 2003, was 352,745,885 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on September 12, 2003, which will be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year ended April 30, 2003, are incorporated into Part III, Items 10, 11, 12, 13, and 14.

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PART I

Item 1. Business.

H. J. Heinz Company was incorporated in Pennsylvania on July 27, 1900. In 1905, it succeeded to the business of a partnership operating under the same name which had developed from a food business founded in 1869 at Sharpsburg, Pennsylvania by Henry J. Heinz. H. J. Heinz Company and its subsidiaries (collectively, the "Company") manufacture and market an extensive line of processed food products throughout the world. The Company's principal products include ketchup, condiments and sauces, frozen food, soups, beans and pasta meals, tuna and other seafood products, infant food and other processed food products.

The Company's products are manufactured and packaged to provide safe, wholesome foods for consumers, foodservice and institutional customers. Many products are prepared from recipes developed in the Company's research laboratories and experimental kitchens. Ingredients are carefully selected, washed, trimmed, inspected and passed on to modern factory kitchens where they are processed, after which the finished product is filled automatically into containers of glass, metal, plastic, paper or fiberboard which are then closed, processed, labeled and cased for market. Finished products are processed by sterilization, homogenization, chilling, freezing, pickling, drying, freeze drying, baking or extruding. Certain finished products and seasonal raw materials are aseptically packed into sterile containers after in-line sterilization.

The Company manufactures and contracts for the manufacture of its products from a wide variety of raw foods. Pre-season contracts are made with farmers for a portion of raw materials such as tomatoes, cucumbers, potatoes, onions and some other fruits and vegetables. Dairy products, meat, sugar, spices, flour and certain other fruits and vegetables are generally purchased on the open market. Tuna is obtained through spot and term contracts directly with tuna vessel owners or their cooperatives and by brokered transactions.

The following table lists the number of the Company's principal food processing factories and major trademarks by region:

	Factories		
	Owned	*Leased*	*Major Trademarks*
North America	22	5	*Heinz, Classico, Quality Chef, Yoshida, Jack Daniels**, Catelli, Wyler's, E-Z Squirt, Diana Sauce, Bell 'Orto, Bella Rosa, Pablum, Chef Francisco, Domani, Dianne's, Ore-Ida, Bagel Bites, Moore's, Rosetto, Weight Watchers*, Boston Market*, Smart Ones, Hot Bites, Poppers, TGI Friday's*, Delimex*
Europe	32	4	*Heinz, Petit Navire, John West, Mare D'Oro, Mareblu, Marie Elisabeth, Orlando, Guloso, Linda McCartney*, Weight Watchers*, Farley's, Farex, Sonnen Basserman, Plasmon, Nipiol, Dieterba, Ortobuono, Frank Coopers*, Pudliszki, Go Ahead!*, Ross, Hak, Honig, De Ruijter*
Asia/Pacific	18	4	*Heinz, Tom Piper, Wattie's, ABC, Tegel, Chef, Champ, Craig's, Bruno, Winna, Hellaby, Hamper, Farley's, Greenseas, Gourmet, Nurture, Complan, Farex*
Other Operating Entities	7	2	*Heinz, Olivine, Wellington's, Ganave, Champs, Royal Pacific, John West*
	79	15	** Used under license*

The Company also owns or leases office space, warehouses, distribution centers and research and other facilities throughout the world. The Company's food processing plants and principal properties are in good condition and are satisfactory for the purposes for which they are being utilized.

The Company has participated in the development of certain of its food processing equipment, some of which is patented. The Company regards these patents as important but does not consider any one or group of them to be materially important to its business as a whole.

Although crops constituting some of the Company's raw food ingredients are harvested on a seasonal basis, most of the Company's products are produced throughout the year. Seasonal factors inherent in the business have always influenced the quarterly sales and net income of the Company. Consequently, comparisons between quarters have always been more meaningful when made between the same quarters of different years.

The products of the Company are sold under highly competitive conditions, with many large and small competitors. The Company regards its principal competition to be other manufacturers of processed foods, including branded, retail products, foodservice products and private label products, that compete with the Company for consumer preference, distribution, shelf space and merchandising support. Product quality and consumer value are important areas of competition.

The Company's products are sold through its own sales force and through independent brokers, agents and distributors to chain, wholesale, cooperative and independent grocery accounts, pharmacies, mass merchants, club stores, foodservice distributors and institutions, including hotels, restaurants and certain government agencies. For Fiscal 2003, no single customer represented more than 10% of the Company's sales.

Compliance with the provisions of national, state and local environmental laws and regulations has not had a material effect upon the capital expenditures, earnings or competitive position of the Company. The Company's estimated capital expenditures for environmental control facilities for the remainder of fiscal year 2004 and the succeeding fiscal year are not material and are not expected to materially affect either the earnings or competitive position of the Company.

The Company's factories are subject to inspections by various governmental agencies, including the United States Department of Agriculture, and the Occupational Health and Safety Administration, and its products must comply with the applicable laws, including food and drug laws, such as the Federal Food and Cosmetic Act of 1938, as amended, and the Federal Fair Packaging or Labeling Act of 1966, as amended, of the jurisdictions in which they are manufactured and marketed.

The Company employed, on a full-time basis as of April 30, 2003, approximately 38,900 persons around the world.

Segment information is set forth in this report on pages 56 through 58 in Note 15, "Segment Information" in Item 8—"Financial Statements and Supplementary Data."

Income from international operations is subject to fluctuation in currency values, export and import restrictions, foreign ownership restrictions, economic controls and other factors. From time to time, exchange restrictions imposed by various countries have restricted the transfer of funds between countries and between the Company and its subsidiaries. To date, such exchange restrictions have not had a material adverse effect on the Company's operations.

CAUTIONARY STATEMENT RELEVANT TO FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward-looking statements made by or on behalf of the Company. The Company and its representatives may from time to time make written or oral forward-looking statements, including statements contained in the Company's filings with the Securities and Exchange Commission and in its reports to shareholders. These forward-looking statements are based on management's views and assumptions of future events and financial performance. The words or phrases "will likely result,"

"are expected to," "will continue," "is anticipated," "should," "estimate," "project," "target," "goal", "outlook" or similar expressions identify "forward-looking statements" within the meaning of the Act.

In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. These forward-looking statements are uncertain. The risks and uncertainties that may affect operations and financial performance and other activities, some of which may be beyond the control of the Company, include the following:

- Changes in laws and regulations, including changes in food and drug laws, accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law interpretations) and environmental laws in domestic or foreign jurisdictions;
- Competitive product and pricing pressures and the Company's ability to gain or maintain share of sales as a result of actions by competitors and others;
- Fluctuations in the cost and availability of raw materials and the ability to maintain favorable supplier arrangements and relationships;
- The impact of higher energy costs and other factors affecting the cost of producing, transporting and distributing the Company's products;
- The Company's ability to generate sufficient cash flows to support capital expenditures, share repurchase programs, debt repayment and general operating activities;
- The inherent risks in the marketplace associated with new product or packaging introductions, including uncertainties about trade and consumer acceptance;
- The Company's ability to achieve sales and earnings forecasts, which are based on assumptions about sales volume, product mix and other items;
- The Company's ability to integrate acquisitions and joint ventures into its existing operations and the availability of new acquisition and joint venture opportunities and the success of divestitures and other business combinations;
- The Company's ability to achieve its cost savings objectives, including any restructuring programs, SKU rationalization programs and its working capital initiatives;
- The impact of unforeseen economic and political changes in markets where the Company competes, such as export and import restrictions, currency exchange rates and restrictions, inflation rates, recession, foreign ownership restrictions and other external factors over which the Company has no control, including the possibility of increased pension expense and contributions resulting from continued decline in stock market returns;
- The performance of businesses in hyperinflationary environments;
- Changes in estimates in critical accounting judgments;
- Interest rate fluctuations and other capital market conditions;
- The effectiveness of the Company's advertising, marketing and promotional programs;
- Weather conditions, which could impact demand for Company products and the supply and cost of raw materials;
- The impact of e-commerce and e-procurement, supply chain efficiency and cash flow initiatives;
- The Company's ability to maintain its profit margin in the face of a consolidating retail environment;
- The impact of global industry conditions, including the effect of the economic downturn in the food industry and the foodservice business in particular;
- The Company's ability to offset the reduction in volume and revenue resulting from participation in categories experiencing declining consumption rates; and

- With respect to future dividends on Company stock, meeting certain legal requirements at the time of declaration.

The foregoing list of important factors is not exclusive. The forward-looking statements are and will be based on management's then current views and assumptions regarding future events and operating performance and speak only as of their dates. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 2. Properties.

See table in Item 1.

Item 3. Legal Proceedings.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

The Company has not submitted any matters to a vote of security holders since the last annual meeting of shareholders on September 12, 2002.

Executive Officers of the Registrant

The following is a list of the names and ages of all of the executive officers of H. J. Heinz Company indicating all positions and offices held by each such person and each such person's principal occupations or employment during the past five years. All the executive officers have been elected to serve until the next annual election of officers or until their successors are elected, or until their earlier resignation or removal. The annual election of officers is scheduled to occur on September 12, 2003.

Name	*Age (as of September 12, 2003)*	*Positions and Offices Held with the Company and Principal Occupations or Employment During Past Five Years*
William R. Johnson	54	Chairman, President, and Chief Executive Officer since September 2000; President and Chief Executive Officer from April 1998 to September 2000.
Neil Harrison	50	Executive Vice President—President and Chief Executive Officer—Heinz North America since July 2002; Senior Vice President and President—Heinz Frozen Food Company from September 2001 to July 2002; President and Chief Executive Officer—Heinz Frozen Food Company from October 1998 to September 2001; President and Chief Executive Officer—Weight Watchers Gourmet Food Company from August 1997 to October 1998.
Joseph Jimenez	43	Executive Vice President—President and Chief Executive Officer Heinz Europe since July 2002; Senior Vice President and President—Heinz North America from September 2001 to July 2002; President and Chief Executive Officer—Heinz North America from November 1998 to September 2001; President—Orville Redenbacher/Swiss Miss Food Company and Wesson/Peter Pan Food Company from March 1997 to November 1998.
Arthur B. Winkleblack	46	Executive Vice President and Chief Financial Officer since January 2002; Acting Chief Operating Officer—Perform.com and Chief Executive Officer—Freeride.com at Indigo Capital (Provided financing for early stage technology companies) (1999-2001); Executive Vice President and Chief Financial Officer—C. Dean Metropoulos & Co. (Provides management services for consumer product investments of Hicks, Muse, Tate & Furst) (1998-1999).
Michael J. Bertasso	53	Senior Vice President—President Heinz Asia/Pacific since September 2002; Senior Vice President—Strategy, Process and Business Development from May 1998 to September 2002.

Name	*Age (as of September 12, 2003)*	*Positions and Offices Held with the Company and Principal Occupations or Employment During Past Five Years*
Michael D. Milone	47	Senior Vice President—Global Category Development since May 2000; Chief Executive Officer Star-Kist Foods, Inc. from May 2001 to December 2002; Vice President—Global Category Development from August 1998 to May 2000.
D. Edward I. Smyth	53	Senior Vice President—Chief Administrative Officer and Corporate and Government Affairs since December 2002; Senior Vice President—Corporate and Government Affairs from May 1998 to December 2002.
Laura Stein	41	Senior Vice President and General Counsel since January 2000; attorney at The Clorox Company from 1992-1999, last serving as Assistant General Counsel—Regulatory Affairs.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Information relating to the Company's common stock is set forth in this report on page 26 under the caption "Stock Market Information", in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations", and on page 59 in Note 16, "Quarterly Results" in Item 8—"Financial Statements and Supplementary Data."

Item 6. Selected Financial Data.

The following table presents selected consolidated financial data for the Company and its subsidiaries for each of the five fiscal years 1999 through 2003. All amounts are in thousands except per share data.

	Fiscal year ended				
	April 30, 2003 (52 Weeks)	*May 1, 2002 (52 Weeks)*	*May 2, 2001 (52 Weeks)*	*May 3, 2000 (53 Weeks)*	*April 28, 1999 (52 Weeks)(2)*
Sales(1)(2)	$8,236,836	$ 7,614,036	$6,987,698	$6,892,807	$9,299,610
Interest expense(2)	223,532	230,611	262,488	206,996	258,813
Income from continuing operations before cumulative effect of change in accounting principle(2)	555,359	675,181	563,931	780,145	474,341
Income from continuing operations before cumulative effect of change in accounting principle per share—diluted(2)	1.57	1.91	1.61	2.17	1.29
Income from continuing operations before cumulative effect of change in accounting principle per share—basic(2)	1.58	1.93	1.62	2.20	1.31
Short-term debt and current portion of long-term debt	154,786	702,645	1,870,834	176,575	904,207
Long-term debt, exclusive of current portion(3)	4,776,143	4,642,968	3,014,853	3,935,826	2,472,206
Total assets	9,224,751	10,278,354	9,035,150	8,850,657	8,053,634
Cash dividends per common share	1.485	1.6075	1.545	1.445	1.3425

(1) Sales for 2003, 2002, 2001 and 2000 reflect the adoption of the new EITF guidelines relating to the classification of consideration from a vendor to a purchaser of a vendor's products, including both customers and consumers. Sales for 1999 have not been adjusted to reflect the new EITF reclassifications as it is impracticable to do so.

(2) Amounts for 2003, 2002, 2001 and 2000 exclude the operating results related to the businesses spun off to Del Monte which have been treated as discontinued operations. See Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion of the Del Monte transaction. These amounts for 1999 have not been adjusted to reflect discontinued operations as it is impracticable to do so.

(3) Long-term debt, exclusive of current portion, includes $294.8 million and $23.6 million of hedge accounting adjustments associated with interest rate swaps at April 30, 2003 and May 1, 2002, respectively. There were no interest rate swaps at May 2, 2001, May 3, 2000, and April 28, 1999.

Fiscal 2003 results from continuing operations include costs related to the Del Monte transaction and costs to reduce overhead of the remaining businesses totaling $164.6 million pretax ($113.1 million after-tax). These include employee termination and severance costs, legal and other professional service costs and cost related to the early extinguishment of debt. In addition, Fiscal 2003 includes losses on the exit of non-strategic businesses of $62.4 million pretax ($49.3 million after-tax).

Fiscal 2002 results from continuing operations include net restructuring and implementation costs of $12.4 million pretax ($8.9 million after-tax) for the Streamline initiative.

Fiscal 2001 results from continuing operations include restructuring and implementation costs of $101.4 million pretax ($69.0 million after-tax) for the Streamline initiative, net restructuring and implementation costs of $146.5 million pretax ($91.2 million after-tax) for Operation Excel, a benefit of $93.2 million from tax planning and new tax legislation in Italy, a loss of $94.6 million pretax ($66.2 million after-tax) on the sale of The All American Gourmet business, company acquisition costs of $18.5 million pretax ($11.7 million after-tax), the after-tax impact of adopting Staff Accounting Bulletin ("SAB") No. 101 and Statement of Financial Accounting Standards ("SFAS") No. 133 of $15.3 million and a loss of $5.6 million pretax ($3.5 million after-tax) which represents the Company's equity loss associated with The Hain Celestial Group's fourth quarter results which included charges for its merger with Celestial Seasonings. See Notes 4 and 5 to the Consolidated Financial Statements beginning on page 41 of Item 8—"Financial Statements and Supplementary Data" in this report.

Fiscal 2000 results from continuing operations include net restructuring and implementation costs of $284.0 million pretax ($190.7 million after-tax) for Operation Excel, a pretax contribution of $30.0 million ($18.9 million after-tax) to the H. J. Heinz Company Foundation, a gain of $464.6 million pretax ($259.7 million after-tax) on the sale of the Weight Watchers classroom business and a gain of $18.2 million pretax ($11.8 million after-tax) on the sale of an office building in the U.K.

Fiscal 1999 results include restructuring and implementation costs of $552.8 million pretax ($409.7 million after-tax) for Operation Excel and costs of $22.3 million pretax ($14.3 million after-tax) related to the implementation of Project Millennia, offset by the reversal of unutilized Project Millennia accruals for severance and exit costs of $25.7 million pretax ($16.4 million after-tax) and a gain of $5.7 million pretax ($0.6 million after-tax) on the sale of the bakery products unit.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Special Items

Discontinued operations

On December 20, 2002, Heinz transferred to a wholly-owned subsidiary ("SKF Foods") certain assets and liabilities, including its U.S. and Canadian pet food and pet snacks, U.S. tuna, U.S. retail private label soup and private label gravy, *College Inn* broths and U.S. infant feeding businesses and distributed all of the shares of SKF Foods common stock on a pro rata basis to its shareholders. Immediately thereafter, SKF Foods merged with a wholly-owned subsidiary of Del Monte Foods Company ("Del Monte") resulting in SKF Foods becoming a wholly-owned subsidiary of Del Monte ("the Merger").

In accordance with accounting principles generally accepted in the United States of America, the operating results and net assets related to these businesses spun off to Del Monte have been included in discontinued operations in the Company's consolidated statements of income and consolidated balance sheets. Discontinued operations for the fiscal years ended April 30, 2003 and May 1, 2002, represent operating results for eight and twelve months, respectively. The net assets

distributed to Heinz shareholders have been treated as a dividend and charged to retained earnings.

The discontinued operations generated sales of $1,091.3 million, $1,817.0 million and $1,833.2 million and net income of $88.7 million (net of $35.4 million in tax), net income of $158.7 million (net of $69.4 million in tax) and a net loss of $70.6 million (net of $12.4 million of a tax benefit) for the fiscal years ended April 30, 2003, May 1, 2002 and May 2, 2001, respectively.

Del Monte and other reorganization costs

In Fiscal 2003, Del Monte transaction costs and costs to reduce overhead of the remaining business totaled $164.6 million pretax ($113.1 million after-tax) and were comprised of $61.8 million for legal, professional and other related costs, $51.3 million in employee termination and severance costs, $39.6 million related to the early retirement of debt and $12.0 million in non-cash asset write-downs. Of this amount, $6.1 million was included in cost of products sold, $118.9 million in selling, general and administrative expenses ("SG&A"), and $39.6 million in other expenses, net.

Additionally, in Fiscal 2003, losses on the exit of non-strategic businesses, primarily the UK frozen pizza business and a North American fish and frozen vegetable business, totaled $62.4 million pretax ($49.3 million after-tax), comprising of $39.7 million in non-cash asset write-downs, $12.1 million in losses on the sale of businesses and $10.6 million in employee termination, severance and other exit costs. Of these amounts, $47.3 million was included in cost of products sold and $15.1 million in SG&A. To date, management estimates that these actions have impacted approximately 1,000 employees excluding those who were transferred to Del Monte.

Streamline

In the fourth quarter of Fiscal 2001, the Company announced a restructuring initiative named "Streamline". This initiative included a worldwide organizational restructuring aimed at reducing overhead costs and was completed in the first half of Fiscal 2003.

During Fiscal 2003, the Company utilized $19.4 million of severance and exit cost accruals, principally related to its global overhead reduction plan, primarily in Europe and North America. In addition, as a result of the spin-off of SKF Foods, a $3.4 million restructuring liability related to ceasing canned pet food production at the Company's Terminal Island, California facility was transferred to Del Monte.

During the first quarter of Fiscal 2002, the Company recognized restructuring and implementation charges totaling $8.3 million pretax ($6.1 million after-tax). In the fourth quarter of Fiscal 2002, the Company recorded a net charge of $4.1 million pretax ($2.8 million after-tax) to reflect revisions in original cost estimates. This charge was primarily a result of higher than expected severance costs (primarily in Europe and the U.S.). Total Fiscal 2002 pretax charges of $3.8 million were classified as cost of products sold and $8.6 million as SG&A.

During Fiscal 2001, the Company recognized restructuring charges and implementation costs totaling $101.4 million pretax ($69.0 million after-tax), which primarily include severance costs and were all classified as SG&A. Implementation costs were recognized as incurred in Fiscal 2002 ($2.6 million pretax) and Fiscal 2001 ($1.8 million pretax) and consist of incremental costs directly related to the implementation of the Streamline initiative. The Streamline initiative resulted in a net reduction of the Company's workforce of approximately 2,600 employees.

Operation Excel

In Fiscal 1999, the Company announced a growth and restructuring initiative named "Operation Excel." This initiative was a multi-year, multi-faceted program that established manufacturing centers of excellence, focused the product portfolio, realigned the Company's management

teams and invested in growth initiatives. The Company substantially completed Operation Excel in Fiscal 2002.

During Fiscal 2001, the Company recognized restructuring charges of $12.1 million pretax ($7.7 million after-tax). These charges were primarily associated with higher than originally expected severance costs associated with creating the single North American Grocery & Foodservice headquarters in Pittsburgh, Pennsylvania. Of this charge, $9.7 million was recorded in cost of products sold and $2.4 million in SG&A. This charge was offset by reversals of unutilized Operation Excel accruals and asset write-downs of $68.4 million pretax ($52.3 million after-tax), of which $36.0 million was recorded in cost of products sold and $32.3 million in SG&A and were primarily the result of lower than expected lease termination costs related to exiting the Company's fitness business, revisions in estimates of fair values of assets which were disposed of as part of Operation Excel, and the Company's decision not to transfer certain European baby food production. Implementation costs of $202.8 million pretax ($135.8 million after-tax) were also recognized in Fiscal 2001, of which $100.2 million were recorded in cost of products sold and $102.6 million in SG&A. Operation Excel resulted in a net reduction of the Company's workforce of approximately 7,100 employees.

Recently Issued Accounting Standards

In Fiscal 2001, the Company changed its method of accounting for revenue recognition in accordance with SAB No. 101, "Revenue Recognition in Financial Statements." Under this new accounting method, adopted retroactive to May 4, 2000, Heinz recognizes revenue upon the passage of title, ownership and risk of loss to the customer. The cumulative effect of the change in prior years resulted in a charge to income in Fiscal 2001 of $14.8 million (net of income taxes of $9.3 million). The change did not have a significant effect on revenues or results of operations for the fiscal year ended May 2, 2001.

Effective May 2, 2002, the Company adopted SFAS No. 142 "Goodwill and Other Intangible Assets." Under this standard, goodwill and other intangibles with indefinite useful lives are no longer amortized. This standard also requires, at a minimum, an annual assessment of the carrying value of goodwill and intangibles with indefinite useful lives. The reassessment of intangible assets, including the ongoing impact of amortization, was completed during the first quarter of Fiscal 2003. Net income from continuing operations for the fiscal years ended May 1, 2002 and May 2, 2001 would have been $720.4 million ($0.13 per share higher) and $583.7 million ($0.10 per share higher), respectively, had the provisions of the new standards been applied as of May 4, 2000.

During the first half of Fiscal 2003, the Company completed its transitional impairment review of goodwill and indefinite lived intangible assets, and recognized a transition adjustment of $77.8 million ($0.22 per share) to write down goodwill associated with businesses in Eastern Europe, Argentina, Spain, South Korea and South Africa. This adjustment is recorded as an effect of change in accounting principle as of May 2, 2002. Based on current and forecasted operating results, the Company does not anticipate any further goodwill impairment charges in the near term.

Effective May 2, 2002, the Company adopted SFAS No. 144 "Accounting for Impairment or Disposal of Long-lived Assets." This Statement provides updated guidance concerning the recognition and measurement of an impairment loss for certain types of long-lived assets, expands the scope of a discontinued operation to include a component of an entity and eliminates the current exemption to consolidation when control over a subsidiary is likely to be temporary. The adoption of this new standard did not have a material impact on the Company's financial position, results of operations or cash flows for the fiscal year ended April 30, 2003.

During Fiscal 2003, the Company adopted SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for

costs associated with exit or disposal activities. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This Statement also establishes that fair value is the objective for initial measurement of the liability.

During Fiscal 2003, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued, and it requires the recognition of a liability at fair value by a guarantor at the inception of a guarantee. The initial recognition and measurement provisions of FIN 45 are effective on a prospective basis for all guarantees issued or modified after December 31, 2002. The Company has not issued or modified any material guarantees since December 31, 2002.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure — an amendment of FASB Statement No. 123". SFAS No. 148 provides alternative methods of transitions for entities that voluntarily change to the fair value method of accounting for stock-based employee compensation, and it also amends the disclosure provisions of SFAS No. 123 to require disclosure about the effects of an entity's accounting policy decisions with respect to stock-based employee compensation in both annual and interim financial reporting. The disclosure provisions of SFAS No. 148 were effective for the Company at April 30, 2003. The Company is currently evaluating its policy for recognizing expense related to stock options.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This statement affects the classification, measurement and disclosure requirements of certain freestanding financial instruments, including mandatorily redeemable shares. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective for the Company for the second quarter of Fiscal 2004. The adoption of SFAS No. 150 will require the reclassification of the Company's $325 million of mandatorily redeemable preferred shares from minority interest to long-term debt on the consolidated balance sheet and the $20.2 million annual preferred dividend from other expenses, net, to interest expense on the consolidated statement of income with no resulting effect on the Company's profitability.

Results of Continuing Operations — 2003 versus 2002

Sales for Fiscal 2003 increased $622.8 million, or 8.2%, to $8.24 billion. Sales were favorably impacted by pricing of 4.2%, foreign exchange translation rates of 5.6% and acquisitions of 2.2%. The favorable impact of acquisitions is primarily related to prior year acquisitions in the Heinz North America and U.S. Frozen segments. The favorable pricing was realized primarily in certain highly inflationary countries, Europe and Asia/Pacific. Sales were negatively impacted by unfavorable volumes of 2.0%, due mainly to certain highly inflationary countries and the U.S. Frozen segment, as well as the continued impact of the previously announced SKU ("Stock Keeping Unit") rationalization of low-margin products across the Company. Divestitures reduced sales by 1.8%. Domestic operations contributed approximately 38% of consolidated sales in Fiscal 2003 compared to 41% in Fiscal 2002.

The current year's results were negatively impacted by special charges totaling $227.0 million pretax ($162.4 million after-tax) related to the following items: Del Monte transaction costs, costs to reduce overhead of the remaining businesses and losses on the exit of non-strategic businesses. The Fiscal 2003 special charges were classified as cost of products sold ($53.4 million), SG&A ($134.0 million) and other expenses ($39.6 million). Last year's results were negatively impacted by net Streamline restructuring charges and implementation costs totaling $12.4 million pretax ($8.9 million after-tax). Fiscal 2002 charges were classified as cost of products sold ($3.8 million) and SG&A ($8.6 million).

Gross profit increased $176.5 million, or 6.4%, to $2.93 billion and the gross profit margin decreased slightly to 35.6% from 36.2%. This increase was primarily a result of favorable pricing and exchange translation rates and the benefit of reduced amortization of intangible assets of approximately $47.9 million, partially offset by the impact related to the special items discussed above of $53.4 million in Fiscal 2003. Fiscal 2002 operating income was also unfavorably impacted by $3.8 million for the special items discussed above.

SG&A increased $302.6 million, or 20.8%, to $1.76 billion and increased as a percentage of sales to 21.4% from 19.1%. The increase is primarily driven by the impact of the special items discussed above of $134.0 million in Fiscal 2003, increased Selling & Distribution ("S&D") expenses, increased marketing spend across all segments and increased General & Administrative ("G&A") expenses in the Europe, Heinz North America and Asia/Pacific segments. Fiscal 2002 SG&A was also impacted by $8.6 million for the special items discussed above.

Total marketing support (recorded either as a reduction of revenue or as a component of SG&A) increased $199.2 million, or 9.7%, to $2.26 billion on a sales increase of 8.2%.

Operating income decreased $126.1 million, or 9.7%, to $1.17 billion and decreased as a percentage of sales to 14.3% from 17.1%. This decrease was primarily driven by the impact of the special items discussed above of $187.4 million in Fiscal 2003 and the U.S. Frozen segment partially offset by increases in the Europe and Asia/Pacific segments due to favorable exchange rates and pricing. Fiscal 2002 operating income was also unfavorably impacted by $12.4 million for the special items discussed above.

Net interest expense decreased $12.0 million to $192.4 million, driven by lower interest rates and lower average debt over the past year. Other expense increased $67.7 million to $112.6 million. The increase is primarily attributable to the $39.6 million pretax charge related to early retirement of debt and increases in minority interest expense, largely related to increased profitability in joint ventures in certain highly inflationary countries. The effective tax rate for Fiscal 2003 was 36.1% compared to 35.7% last year. The effective tax rate was unfavorably impacted by 1.6% and 0.1% in Fiscal 2003 and 2002, respectively, by the special items discussed above.

Net income for Fiscal 2003 (before the effect of change in accounting principle related to the adoption of SFAS No. 142) was $555.4 million compared to $675.2 million last year. Diluted earnings per share (before cumulative effect of change in accounting principle related to the adoption of SFAS No. 142) was $1.57 in Fiscal 2003 compared to $1.91 in Fiscal 2002. Net income was negatively impacted by $162.4 million and $8.9 million in Fiscal 2003 and 2002, respectively, by the special items discussed above.

The impact of fluctuating exchange rates for Fiscal 2003 remained relatively consistent on a line-by-line basis throughout the consolidated statement of income.

OPERATING RESULTS BY BUSINESS SEGMENT

Heinz North America

Sales of the Heinz North America segment increased $56.2 million, or 2.5%, to $2.27 billion. Acquisitions, net of divestitures, increased sales 1.7%, due primarily to the prior year acquisitions of *Classico* and *Aunt Millie's* pasta sauce, *Mrs. Grass Recipe* soups, *Wyler's* bouillons and soups and *Dianne's* frozen desserts. Higher pricing increased sales 1.3%, due mainly to retail ketchup, *Jack Daniels* marinades and grilling sauces and frozen soup. Sales volume decreased 0.7% as increases in foodservice ketchup, specialty sauces and *Dianne's* frozen desserts were offset by decreases primarily in *Heinz* retail ketchup and vinegar.

Gross profit increased $0.1 million to $830.7 million; however, the gross profit margin decreased to 36.5% from 37.5% due primarily to unfavorable sales mix and increased manufacturing

costs, partially offset by reduced amortization expense on intangible assets with indefinite lives and favorable pricing. Gross profit was also unfavorably impacted by $6.0 million and $2.4 million in Fiscal 2003 and 2002, respectively, related to the special items discussed above. Operating income decreased $94.5 million, or 19.8%, to $382.8 million due primarily to the unfavorable impact of the special items discussed above in Fiscal 2003 of $66.8 million, higher S&D and G&A expenses and increased marketing of $11.2 million primarily behind *Heinz Easy Squeeze!* ketchup, *Classico* pasta sauce and the foodservice ketchup "Insist on Heinz" campaign. Fiscal 2002 operating income was also unfavorably impacted by the special items of $6.1 million.

U.S. Frozen

U.S. Frozen's sales decreased $15.2 million, or 1.3%. to $1.16 billion. Acquisitions, net of divestitures, increased sales 5.1%, due primarily to the prior year acquisitions of Delimex frozen Mexican foods, Anchor's *Poppers* retail frozen appetizers and licensing rights to the *T.G.I. Friday's* brand of frozen snacks and appetizers. Lower pricing decreased sales 1.9%, primarily due to *Boston Market HomeStyle* meals and appetizers and *SmartOnes* frozen entrees, partially offset by a reduction in trade promotions related to the launch of *Hot Bites* in the prior year and in *Ore-Ida* frozen potatoes. Sales volume decreased 4.5% driven by *Boston Market HomeStyle* side dishes, *Ore-Ida Funky Fries* and *Hot Bites*, partially offset by growth in *SmartOnes* frozen entrees.

Gross profit decreased $24.0 million, or 5.4%, and the gross profit margin decreased to 36.2% from 37.8%. These decreases are primarily due to lower pricing, unfavorable sales mix, increased trade promotions and costs to exit the *Ore-Ida Funky Fries* and *Hot Bites* product lines, partially offset by acquisitions. Operating income decreased $45.1 million, or 18.4%, to $199.7 million due primarily to the change in gross profit and increased consumer marketing on *SmartOnes* frozen entrees and *Ore-Ida* frozen potatoes and increased S&D, partially offset by reduced G&A expenses.

Europe

Heinz Europe's sales increased $314.0 million, or 11.1%, to $3.15 billion. Favorable exchange translation rates increased sales by 10.8%. Higher pricing increased sales 1.7%, primarily due to *Heinz* beans, ketchup and soups. Lower volume decreased sales 0.8%, driven primarily by planned SKU rationalizations and frozen pizza, partially offset by volume increases in ketchup and frozen entrees. Divestitures reduced sales by 0.6%.

Gross profit increased $104.1 million, or 9.8%, to $1.17 billion; however, the gross profit margin decreased to 37.2% from 37.7%. The increase in gross profit is due primarily to favorable foreign exchange rates, pricing and reduced amortization expense related to intangible assets. This increase was partially offset by the unfavorable impact of $47.4 million related to the special items discussed above in Fiscal 2003. Operating income increased $11.8 million, or 2.2%, to $553.7 million, primarily attributable to the favorable change in gross profit, offset partially by increased SG&A expenses. Fiscal 2003 operating income was also unfavorably impacted by $58.9 million related to the special items discussed above, and Fiscal 2002 operating income was unfavorably impacted by the special items of $3.6 million.

Asia/Pacific

Sales in Asia/Pacific increased $169.8 million, or 17.3%, to $1.15 billion. Favorable exchange translation rates increased sales by 12.0%. Higher pricing increased sales 3.7%, primarily due to *Heinz* ready-to-serve soups, poultry, juices/drinks and sauces. Volume increased sales 0.1%, driven primarily by increases in sauces, poultry and ketchup, partially offset by declines driven by planned SKU rationalizations and decreases in cooking oils and frozen vegetables. Acquisitions, net of divestitures, increased sales by 1.5%.

Gross profit increased $75.0 million, or 25.6%, to $367.5 million, and the gross profit margin increased to 31.9% from 29.8%. These increases are due primarily to favorable foreign exchange

rates, increased pricing and reduced manufacturing costs. During Fiscal 2003, the Company made significant progress in improving its supply chain and net pricing across our businesses in Australia, New Zealand and Japan. Operating income increased $35.4 million, or 43.2%, to $117.5 million, primarily due to the change in gross profit, offset partially by increased marketing and G&A expenses. Fiscal 2003 operating income was also unfavorably impacted by $6.6 million related to the special items discussed above.

Other Operating Entities

Sales for Other Operating Entities increased $98.0 million, or 23.9%, to $508.4 million primarily due to favorable pricing in certain highly inflationary countries. Gross profit increased $24.5 million, or 20.7%, due primarily to favorable pricing. Operating income increased $34.6 million due primarily to the increase in gross profit; however, more than half of this increase was offset by increased minority interest expense recorded below operating income.

Zimbabwe remains in a period of economic uncertainty. Should the current situation continue, the Company could experience disruptions in its Zimbabwe operations. Therefore, as of the end of November 2002, the Company deconsolidated its Zimbabwean operations and classified its remaining net investment of approximately $110 million as a cost investment included in other non-current assets on the consolidated balance sheet as of April 30, 2003. If this situation continues to deteriorate, the Company's ability to recover its investment could be impaired.

Results of Continuing Operations — 2002 versus 2001

Sales for Fiscal 2002 increased $626.3 million, or 9.0%, to $7.61 billion. Acquisitions increased sales by 12.4% and higher pricing increased sales by 1.5%. Offsetting these improvements were decreases from divestitures of 2.2%, exchange translation rates of 2.1% and volume of 0.6%. Domestic operations contributed approximately 41% of consolidated sales in Fiscal 2002 compared to 40% in Fiscal 2001.

The favorable impact of acquisitions is primarily related to *Classico* and *Aunt Millie's* pasta sauce, *Mrs. Grass Recipe* soups and *Wyler's* bouillons and soups in the North America segment; Delimex frozen Mexican foods, Anchor's *Poppers* retail frozen appetizers and licensing rights to the *T.G.I. Friday's* brand of frozen snacks and appetizers in the U.S. Frozen segment; and the *Honig* brands of soups, sauces and pasta meals, *HAK* brand of vegetables packed in glass, *KDR* brand of sport drinks, juices, spreads and sprinkles in the Europe segment.

The Fiscal 2002 results were negatively impacted by net Streamline restructuring charges and implementation costs totaling $12.4 million pretax ($8.9 million after-tax). Fiscal 2002 charges of $3.8 million were classified as cost of products sold and $8.6 million as SG&A. Fiscal 2001 results were negatively impacted by special items that net to $366.7 million pretax ($163.8 million after-tax). Fiscal 2001 special items include restructuring and implementation costs of $101.4 million pretax ($69.0 million after-tax) for the Streamline initiative, net restructuring and implementation costs of $146.5 million pretax ($91.2 million after-tax) for Operation Excel, a benefit of $93.2 million from tax planning and new tax legislation in Italy, a loss of $94.6 million pretax ($66.2 million after-tax) on the sale of The All American Gourmet business, Company acquisition costs of $18.5 million pretax ($11.7 million after-tax), a loss of $5.6 million pretax ($3.5 million after-tax) which represents the Company's equity loss associated with The Hain Celestial Group's fourth quarter results and the after-tax impact of adopting SAB No. 101 and SFAS No. 133 of $15.3 million. Fiscal 2001 charges of $73.9 million were classified as costs of products sold, $287.1 million as SG&A, and $5.6 million as other expenses, net.

Gross profit increased $175.5 million, or 6.8%, to $2.76 billion; however, the gross profit margin decreased to 36.2% from 36.9%. The increase in gross profit is primarily driven by the impact of acquisitions and the special items discussed above. The special items unfavorably impacted gross profit by $3.8 million and $73.9 million in Fiscal 2002 and 2001, respectively.

SG&A decreased $135.4 million, or 8.5%, to $1.46 billion, and decreased as a percentage of sales to 19.1% from 22.8%. This decrease is primarily attributable to the impact of the special items discussed above, partially offset by acquisitions, increased S&D costs in North America and increased G&A costs in Europe. The special items impacted SG&A by $8.6 million and $287.1 million in Fiscal 2002 and 2001, respectively.

Total marketing support (recorded either as a reduction of revenue or as a component of SG&A) increased $291.2 million, or 16.5%, to $2.06 billion on a sales increase of 9.0%.

Operating income increased $310.9 million, or 31.4%, to $1.30 billion, and increased as a percentage of sales to 17.1% from 14.2%. This increase is primarily driven by the impact of acquisitions and the special items discussed above. The special items unfavorably impacted operating income by $12.4 million and $361.0 million in Fiscal 2002 and 2001, respectively.

Net interest expense decreased $35.5 million to $204.4 million driven by lower interest rates, partially offset by increased borrowings. Other expense increased $50.3 million to $44.9 million, primarily due to an increase in minority interest expense and gains from foreign currency hedge contracts recorded in Fiscal 2001, offset by a decrease of $5.6 million related to the special items discussed above.

The effective tax rate for Fiscal 2002 was 35.7% compared to 25.3% in Fiscal 2001. The Fiscal 2001 rate includes a benefit of $93.2 million from tax planning and new tax legislation in Italy, partially offset by restructuring expenses in lower rate jurisdictions and nondeductible expenses. The effective tax rate was unfavorably impacted by 0.1% in Fiscal 2002 and was favorably impacted by 11.2% in Fiscal 2001 by the special items discussed above.

Net income increased $126.5 million to $675.2 million from $548.7 million in Fiscal 2001 and earnings per share increased to $1.91 from $1.56. Net income was negatively impacted by the special items identified above by $8.9 million and $163.8 million in Fiscal 2002 and 2001, respectively. In Fiscal 2001, the Company changed its method of accounting for revenue recognition in accordance with Staff Accounting Bulletin (SAB) No. 101, “Revenue Recognition in Financial Statements”. The cumulative effect of adopting SAB No. 101 was $14.8 million ($0.04 per share) in Fiscal 2001.

The impact of fluctuating exchange rates for Fiscal 2002 remained relatively consistent on a line-by-line basis throughout the consolidated statement of income.

Heinz North America

Sales of the Heinz North America segment increased $130.2 million, or 6.2%, to $2.22 billion. Acquisitions, net of divestitures, increased sales 12.7%. Lower pricing decreased sales 2.7%, primarily related to increased marketing spend across all major brands and to foodservice ketchup. Sales volume decreased 3.2%, primarily in the foodservice business and *Heinz* steak sauces, partially offset by volume increases in grilling sauces. The weaker Canadian dollar decreased sales 0.5%.

Gross profit increased $2.8 million, or 0.3%, to $830.6 million as the favorable impact of acquisitions was offset by lower pricing and a decrease in the foodservice business. Gross profit was also unfavorably impacted by $2.4 million and $7.0 million related to the special items discussed above in Fiscal 2002 and 2001, respectively. Operating income decreased $14.4 million, or 2.9%, to $477.3 million due primarily to the decrease in gross profit driven by the foodservice business and higher S&D costs, partially offset by the favorable impact of acquisitions. Operating income in Fiscal 2002 and 2001 was also unfavorably impacted by $6.1 million and $50.0 million, respectively, related to the special items previously discussed.

U.S. Frozen

U.S. Frozen's sales increased $214.9 million, or 22.5%, to $1.17 billion. Acquisitions increased sales 26.8%. Sales volume increased 4.7% due primarily to *SmartOnes* frozen entrees, *Boston Market HomeStyle Meals* and *Bagel Bites* snacks, partially offset by volume decreases in *Ore-Ida* frozen potatoes. Lower pricing decreased sales 1.0%, primarily due to increased marketing spend across all major brands and lower pricing in *Boston Market HomeStyle Meals,* partially offset by higher pricing of *SmartOnes* frozen entrees and frozen potatoes. Divestures reduced sales by 8.0% due to the divestiture of *Budget Gourmet*.

Gross profit increased $106.3 million, or 31.6%, to $442.6 million due primarily to acquisitions. In addition, gross profit in Fiscal 2001 was also unfavorably impacted by $16.5 million related to the special items. Operating income increased $160.8 million to $244.7 million as the favorable impact of acquisitions was partially offset by lower pricing, increased S&D costs and the divestiture of *Budget Gourmet*. Fiscal 2001 operating income was unfavorably impacted by $118.0 million related to the special items discussed above.

Europe

Heinz Europe's sales increased $251.6 million, or 9.7%, to $2.83 billion. Acquisitions, net of divestitures, increased sales 11.0%. Higher pricing increased sales 1.5%, primarily due to higher pricing in seafood, infant feeding, beans and soup. Volume decreased by 0.4%, driven primarily by infant feeding, partially offset by increases in grocery ketchup, *Heinz* salad cream, tuna, and weight control entrees. Unfavorable exchange translation rates decreased sales by 2.4%.

Gross profit increased $94.1 million, or 9.7%, to $1,067.4 million due primarily to acquisitions and increased pricing. Fiscal 2002 and 2001 gross profit were also unfavorably impacted by $1.4 million and $21.1 million, respectively, related to the special items. Operating income increased $153.2 million, or 39.4%, to $541.8 million primarily attributable to acquisitions, favorable pricing, and the tuna business, partially offset by increased marketing to support key brands across Europe and infrastructure costs. Fiscal 2002 and 2001 operating income was unfavorably impacted by $3.6 million and $129.4 million, respectively, related to the special items.

Asia/Pacific

Sales in Asia/Pacific decreased $60.5 million, or 5.8%. Unfavorable exchange rates reduced sales by 6.5%. Higher pricing increased sales 1.8%, primarily due to sauces and juices. Sales volume decreased 0.6% due primarily to sauces and corned beef, partially offset by volume increases in poultry and juices. Divestitures, net of acquisitions, reduced sales by 0.5%.

Gross profit decreased $41.5 million, or 12.4%, to $292.5 million due primarily to poor factory operations in connection with the movement of manufacturing to New Zealand from Australia and Japan and unfavorable foreign exchange rates, partially offset by increased pricing. Gross profit was also unfavorably impacted in Fiscal 2001 by $30.1 million related to the special items. During Fiscal 2002, New Zealand's factories experienced inefficiencies as a result of significant changes in the supply chain matrix. Operating income decreased $14.1 million to $82.1 million, primarily attributable to the unfavorable operating performance brought about by the movement of manufacturing to New Zealand from Australia and Japan and the significant realignment of manufacturing facilities. Operating income was also unfavorably impacted in Fiscal 2001 by $51.5 million related to the special items.

Other Operating Entities

Sales for Other Operating Entities increased $90.1 million, or 28.1%. Favorable pricing increased sales 34.4%, primarily in certain highly inflationary countries. Sales volume decreased

1.7%, primarily in tuna offset by infant feeding and grocery ketchup. Other items, net, reduced sales by 4.6% mainly due to the divestitures of the South African frozen and pet food businesses.

Gross profit increased $18.0 million, or 17.9%, due primarily to favorable pricing. Operating income increased $5.8 million, or 11.9%, primarily due to higher pricing. Operating income was also favorably impacted in Fiscal 2001 by $11.3 million related to the special items discussed above.

Liquidity and Financial Position

Cash provided by continuing operating activities increased over 25% to $906.0 million from $714.4 million last year. The increase in Fiscal 2003 versus Fiscal 2002 is primarily due to improved working capital performance in accounts receivable and inventory offset by increased pension contributions and higher cash requirements for the special items discussed above.

Cash provided by investing activities totaled $961.1 million compared to cash used by investing activities of $974.1 million last year. Cash provided by the spin-off of SKF Foods was $1,063.6 million in the current year. Acquisitions in the prior year required $834.8 million, due primarily to the purchase of Borden Food Corporation's pasta and dry bouillon and soup business, Delimex Holdings, Inc. and Anchor Food Products branded retail business which includes the retail licensing rights to the *T.G.I. Friday's* brand of frozen snacks and appetizers. Divestitures provided $55.0 million in Fiscal 2003 compared to $32.9 million in Fiscal 2002. Capital expenditures totaled $154.0 million compared to $193.9 million last year, a decrease of approximately 21%.

As noted above, during Fiscal 2003, the Company focused on improving the efficiency of its working capital. The working capital improvements, reduced capital expenditures and the proceeds from the Del Monte transaction allowed the Company to reduce net debt (total debt net of interest rate swaps, less cash and cash equivalents) by approximately $1.3 billion to $3.8 billion in Fiscal 2003 from $5.1 billion in Fiscal 2002, despite pension contributions of $224 million in Fiscal 2003, compared to $111 million in Fiscal 2002. A portion of the Del Monte proceeds was used to retire $650 million of long-term debt. Additional net debt reductions are anticipated in Fiscal 2004.

Cash used for financing activities totaled $1,416.5 million compared to cash provided by financing activities of $181.3 million last year. There were no proceeds from long-term debt in the current period compared to $2,009.1 million last year. Payments on long-term debt required $741.2 million in Fiscal 2003, compared to $329.2 million last year. Payments on commercial paper and short-term borrowings required $176.2 million this year compared to $1,271.0 million last year. In addition, $325.0 million was provided during the prior year via the issuance of preferred stock which is discussed below. Cash provided from stock options exercised totaled $7.5 million this year versus $63.7 million last year. Dividend payments totaled $521.6 million compared to $562.6 million for the same period last year reflecting a reduction in the dividend rate in the fourth quarter of Fiscal 2003 as a result of the spin off of SKF Foods. Fiscal 2004 dividends are expected to approximate $380 million. There were no share repurchases in the current year and share repurchases required $45.4 million in the prior year.

As discussed above, the Company made contributions to its pension plans totaling $224 million in Fiscal 2003. In addition, the Company recorded an additional minimum liability of $451.1 million as of April 30, 2003. Although this non-cash adjustment did not impact the 2003 operating results, pension expense is expected to increase in 2004 primarily due to the lower fair value of pension assets due to poor equity market conditions, a reduction in the assumed discount rate and the estimated return on plan assets.

Return on average shareholders' equity ("ROE") was 32.7% in Fiscal 2003, 43.7% in Fiscal 2002 and 37.0% in Fiscal 2001. ROE was unfavorably impacted by 11.2%, 0.6% and 11.0% in Fiscal 2003, 2002 and 2001, respectively, related to the special items discussed above. Pretax return on

average invested capital ("ROIC") was 16.1% in Fiscal 2003, 18.8% in Fiscal 2002 and 16.6% in Fiscal 2001. ROIC was unfavorably impacted by 3.4%, 0.2% and 6.1% in Fiscal 2003, 2002 and 2001, respectively, related to the special items discussed above.

In Fiscal 2002, H. J. Heinz Finance Company ("Heinz Finance"), a subsidiary of the Company, issued $325 million of 6.226% Voting Cumulative Preferred Stock. The preferred stock is required to be redeemed in July 2008. Also during Fiscal 2002, Heinz Finance privately placed $750 million of 6.625% Notes due July 2011, $700 million of 6.00% Notes due March 2012 and $550 million of 6.75% Notes due March 2032. All of these notes are guaranteed by the Company and they were exchanged in March 2003 for new notes, which were substantially identical in all respects, except for being registered under the Securities Act of 1933. The proceeds from the issuance of the preferred stock and the notes were used to retire commercial paper borrowings and for other general corporate purposes.

In September 2001, the Company and Heinz Finance entered into a 364-Day Credit Agreement, which was renewed in September 2002, and a Five-Year Credit Agreement, expiring in September 2006. The 364-day agreement permits the Company and Heinz Finance to borrow up to $800 million. The five-year agreement permits the Company and Heinz Finance to borrow up to $1.5 billion. These agreements support the Company's commercial paper borrowings and the remarketable securities. As a result, these borrowings are classified as long-term debt based upon the Company's ability to refinance these borrowings on a long-term basis. In addition, the Company had $867 million of foreign lines of credit available at April 30, 2003.

As of April 30, 2003, the Company had $800 million of remarketable securities due November 2020. The securities are subject to an annual remarketing on each November 15, and the interest rate will be reset on such dates. If the securities are not remarketed, then the Company is required to repurchase all of the securities on the remarketing date at 100% of the principal amount plus accrued interest. On November 15, 2002, the securities were remarketed at an effective yield to the Company of 6.56%. In January 2003, $200 million of the remarketable securities were retired with proceeds from the Del Monte transaction as described above.

At April 30, 2003, the Company's long-term debt ratings were "A" at Standard & Poor's and Fitch and "A3" at Moody's and the Company's short-term debt ratings were "A1" at Standard & Poor's, "F-1" at Fitch and "P2" at Moody's.

Since the beginning of Fiscal 2002, the Company has significantly increased the proportion of long-term debt to total debt such that at April 30, 2003 long-term debt represented 96.7% of total debt as compared to a ratio of 61.7% at May 2, 2001. Through the use of interest rate swaps, the Company has converted $2.55 billion of fixed rate debt to floating rates in order to maintain our desired mix of fixed and floating rate debt, while continuing to maintain long-term financing. The nature and amount of the Company's long-term and short-term debt as well as the proportionate amount of fixed-rate and floating-rate debt can be expected to vary as a result of future business requirements, market conditions and other factors.

As of April 30, 2003, the Company had repurchased a total of 15.4 million shares under the 20.0 million share repurchase program authorized by the Board of Directors in June 1999. However, in Fiscal 2003, the Company did not repurchase any shares of common stock. The Company may reissue repurchased shares upon the exercise of stock options, conversions of preferred stock and for general corporate purposes.

In Fiscal 2003, the cash requirements of the Del Monte transaction and costs to reduce overhead of the remaining businesses were approximately $138 million. In addition, approximately $104 million of cash was utilized to purchase assets under operating lease obligations which were transferred to Del Monte. Fiscal 2004 cash requirements related to the Del Monte transaction and costs to reduce overhead of the remaining businesses are expected to be approxi-

mately $50 million. In Fiscal 2003, the cash requirements of Streamline were $19.4 million, relating to severance and exit costs.

Commitments and Contingencies

The Company is obligated to make future payments under various contracts such as debt agreements, lease agreements and unconditional purchase obligations. The following table represents the significant contractual cash obligations of the Company as of April 30, 2003.

Contractual Cash Obligations	*Total*	*Due in 2004*	*Due in 2005*	*Due in 2006*	*Due in 2007*	*Due in 2008*	*Thereafter*
(In millions)							
Long-term debt (including capital leases of $54.4 million)	$4,489	$ 8	$397	$510	$ 8	$300	$3,266
Operating leases	508	67	54	43	156*	18	170
Total contractual cash obligations	$4,997	$75	$451	$553	$164	$318	$3,436

* Includes the purchase option related to certain warehouses and equipment currently utilized under synthetic leases.

The Company has purchase commitments for materials, supplies, services and property, plant and equipment as part of the ordinary conduct of business. A few of these commitments are long-term and are based on minimum purchase requirements. In the aggregate, such commitments are not at prices in excess of current markets. Due to the proprietary nature of some of the Company's materials and processes, certain supply contracts contain penalty provisions for early terminations. The Company does not believe that a material amount of penalties is reasonably likely to be incurred under these contracts based upon historical experience and current expectations.

The Company does not have material financial guarantees or other contractual commitments that are reasonably likely to adversely affect liquidity. In addition, the Company does not have any related party transactions that materially affect the results of operations, cash flow or financial condition.

Market Risk Factors

The Company is exposed to market risks from adverse changes in foreign exchange rates, interest rates, commodity prices and production costs. As a policy, the Company does not engage in speculative or leveraged transactions, nor does the Company hold or issue financial instruments for trading purposes.

Foreign Exchange Rate Sensitivity: The Company's cash flow and earnings are subject to fluctuations due to exchange rate variation. Foreign currency risk exists by nature of the Company's global operations. The Company manufactures and sells its products in a number of locations around the world, and hence foreign currency risk is diversified.

The Company may attempt to limit its exposure to changing foreign exchange rates through both operational and financial market actions. These actions may include entering into forward or option contracts to hedge existing exposures, firm commitments and forecasted transactions. The

instruments are used to reduce risk by essentially creating offsetting currency exposures. The following table presents information related to foreign currency contracts held by the Company:

(Dollars in millions)	*Aggregate Notional Amount*		*Net Unrealized Gains/(Losses)*	
	April 30, 2003	*May 1, 2002*	*April 30, 2003*	*May 1, 2002*
Purpose of Hedge:				
Intercompany cash flows	$ 95	$380	$0.8	$ 1.8
Forecasted purchases of raw materials and finished goods and foreign currency denominated obligations	470	335	0.5	(5.0)
Forecasted sales and foreign currency denominated assets	150	130	2.3	3.8
	$715	$845	$3.6	$ 0.6

As of April 30, 2003, the Company's contracts to hedge forecasted transactions mature within 24 months of the fiscal year-end. Contracts that meet qualifying criteria are accounted for as foreign currency cash flow hedges. Accordingly, the effective portion of gains and losses is deferred as a component of other comprehensive loss and is recognized in earnings at the time the hedged item affects earnings. Any gains and losses due to hedge ineffectiveness or related to contracts which do not qualify for hedge accounting are recorded in current period earnings in other income and expense.

Substantially all of the Company's foreign affiliates' financial instruments are denominated in their respective functional currencies. Accordingly, exposure to exchange risk on foreign currency financial instruments is not material. (See Note 13 to the consolidated financial statements.)

Interest Rate Sensitivity: The Company is exposed to changes in interest rates primarily as a result of its borrowing and investing activities used to maintain liquidity and fund business operations. The nature and amount of the Company's long-term and short-term debt can be expected to vary as a result of future business requirements, market conditions and other factors. The Company's net debt obligations totaled $3.8 billion and $5.1 billion at April 30, 2003 and May 1, 2002, respectively. The Company's debt obligations are summarized in Note 7 to the consolidated financial statements.

In order to manage interest rate exposure, the Company utilizes interest rate swaps under its fair value hedging strategy in order to convert fixed-rate debt to floating. Accordingly, changes in the fair value of these derivatives, along with changes in the fair value of the hedged debt obligations that are attributable to the hedged risk are recognized in current period earnings. Based on the amount of fixed-rate debt converted to floating as of April 30, 2003, a variance of 1/8 % in the related interest rate would cause annual interest expense related to this debt to change by approximately $3.2 million. The following table presents additional information related to interest rate contracts designated as fair value hedges by the Company:

(Dollars in millions)	*April 30 ,2003*	*May 1, 2002*
Pay floating swaps — notional amount	$2,550.0	$2,050.0
Net unrealized gains	$ 294.8	$ 23.6
Average maturity (years)	14.1	16.4
Weighted average receive rate	6.47%	6.45%
Weighted average pay rate	2.32%	3.14%

At April 30, 2003, the Company also maintained interest rate swaps with a total notional amount of $400 million that do not meet the criteria for hedge accounting but effectively mitigate interest rate exposures. These swaps mature within 12 months and are accounted for on a full

mark-to-market basis through current earnings. Net unrealized gains related to these swaps totaled $2.1 million at April 30, 2003.

Commodity Price Sensitivity: The Company is the purchaser of certain commodities such as corn, soybean oil and soybean meal. The Company generally purchases these commodities based upon market prices that are established with the vendor as part of the purchase process. The Company may enter into commodity futures, swaps and option contracts to reduce the effect of price fluctuations on forecasted purchases. The Company held commodity contracts to hedge certain forecasted purchases with a notional amount of $21 million and $31 million at April 30, 2003 and May 1, 2002, respectively. Such contracts generally have a term of less than one year, and are accounted for as cash flow hedges if they meet certain qualifying criteria. Accordingly, the effective portion of gains and losses is deferred as a component of other comprehensive loss and is recognized as part of cost of products sold at the time the hedged item affects earnings. Any gains and losses due to hedge ineffectiveness or related to contracts which do not qualify for hedge accounting are recorded in current period earnings in other income and expense. Net unrealized losses related to commodity contracts held by the Company were not material at April 30, 2003 or May 1, 2002.

Effect of Hypothetical 10% Fluctuation in Market Prices: As of April 30, 2003, the potential gain or loss in the fair value of the Company's outstanding foreign currency contracts, interest rate contracts and commodity contracts assuming a hypothetical 10% fluctuation in currency rates, swap rates and market prices, respectively, would be approximately:

(Dollars in millions)	*Fair Value Effect*
Foreign currency contracts	$ 56
Interest rate swap contracts	$117
Commodity contracts	$ 2

However, it should be noted that any change in the fair value of the contracts, real or hypothetical, would be significantly offset by an inverse change in the value of the underlying hedged items. In relation to currency contracts, this hypothetical calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar.

Discussion of Significant Accounting Estimates

In the ordinary course of business, the Company has made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. The Company believes that the following discussion addresses the Company's most critical accounting policies, which are those that are most important to the portrayal of the Company's financial condition and results and require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Marketing Costs — Trade promotions are an important component of the sales and marketing of the Company's products, and are critical to the support of its business. Trade promotion costs include amounts paid to encourage retailers to offer temporary price reductions for the sale of the Company's products to consumers, amounts paid to obtain favorable display positions in retailers' stores, and amounts paid to customers for shelf space in retail stores. Accruals for trade promotions are recorded primarily at the time of sale of product to the customer based on expected levels of performance. Settlement of these liabilities typically occurs in subsequent periods primarily through an authorized process for deductions taken by a customer from amounts otherwise due to the Company. As a result, the ultimate cost of a trade promotion program is dependent on the relative success of the events and the actions and level of deductions taken by the Company's

customers for amounts they consider due to them. Final determination of the permissible deductions may take extended periods of time.

Inventories — Inventories are stated at the lower of cost or market value. Cost is principally determined by the average cost method. The Company records adjustments to the carrying value of inventory based upon its forecasted plans to sell its inventories. The physical condition (e.g., age and quality) of the inventories is also considered in establishing its valuation. These adjustments are estimates, which could vary significantly, either favorably or unfavorably, from actual requirements if future economic conditions, customer inventory levels or competitive conditions differ from our expectations.

Property, Plant and Equipment — Land, buildings and equipment are recorded at cost and are depreciated on a straight-line method over the estimated useful lives of such assets. Changes in circumstances such as technological advances, changes to the Company's business model or changes in the Company's capital strategy could result in the actual useful lives differing from the Company's estimates. In those cases where the Company determines that the useful life of buildings and equipment should be shortened, the Company would depreciate the net book value in excess of the salvage value, over its revised remaining useful life thereby increasing depreciation expense. Factors such as changes in the planned use of fixtures or software or closing of facilities could result in shortened useful lives.

Long-lived Assets — Long-lived assets including fixed assets and intangible assets with finite useful lives are evaluated periodically by the Company for impairment whenever events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable. If the sum of the undiscounted cash flows is less than the carrying value, the Company recognizes an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset. The estimate of cash flow requires significant management judgement and requires, among other things, certain assumptions about future volume, revenue and expense growth rates, foreign exchange rates, devaluation and inflation, and as such may differ from actual cash flows.

Goodwill and Indefinite Lived Intangibles — Carrying values of goodwill and intangible assets with indefinite lives are reviewed periodically for possible impairment in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets". The Company's impairment review is based on a discounted cash flow approach that requires significant management judgments similar to those noted above for long-lived assets, and to the selection of an appropriate discount rate. Impairment occurs when the carrying value of the reporting unit exceeds the discounted present value of the cash flows for that reporting unit. An impairment charge is recorded for the difference between the carrying value and the net present value of estimated future cash flows, which represents the estimated fair value of the asset. The Company uses its judgment in assessing whether assets may have become impaired between annual valuations. Indicators such as unexpected adverse economic factors, unanticipated technological change or competitive activities, loss of key personnel, acts by governments and courts, may signal that an asset has become impaired.

Retirement Benefits — The Company sponsors pension and other retirement plans in various forms covering substantially all employees who meet eligibility requirements. Several statistical and other factors that attempt to anticipate future events are used in calculating the expense and liability related to the plans. These factors include assumptions about the discount rate, expected return on plan assets, turnover rates and rate of future compensation increases as determined by the Company, within certain guidelines. The discount rate assumptions used to value pension and postretirement benefit obligations reflect the rates available on high quality fixed income investments available (in each country that the Company operates a benefit plan) as of the measurement date. The weighted average discount rate for the year ending April 30, 2003 was reduced to 5.9% from 6.6% as of May 1, 2002, and 6.7% as of May 2, 2001 reflecting the declining interest rate environment.

Over time, the expected rate of return on pension plan assets should approximate the actual long-term returns. In developing the expected rate of return, the Company considers actual real historic returns of asset classes, the investment mix of plan assets, investment manager performance and projected future returns of asset classes developed by respected consultants. The weighted average expected rate of return on plan assets was 8.9% for the year ending April 30, 2003 and 9.2% as of May 1, 2002. For purposes of calculating Fiscal 2004 expense, the weighted average rate of return will be reduced to approximately 8.2%.

In addition, the Company's actuarial consultants also use subjective factors such as withdrawal and mortality rates to estimate these factors. The actuarial assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of pension expense recorded by the Company.

Income Taxes — The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". Judgment is required in determining the Company's worldwide provision for income taxes. In the ordinary course of the Company's global business, there are many transactions for which the ultimate tax outcome is uncertain. The Company adjusts its income tax provision in the period it is probable that actual results will differ from its estimates. Tax law and rate changes are reflected in the income tax provision in the period in which such changes are enacted.

The Company records valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. When assessing the need for valuation allowances, the Company considers future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, the Company would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income.

Inflation

In general, costs are affected by inflation and the effects of inflation may be experienced by the Company in future periods. Management believes, however, that such effects have not been material to the Company during the past three years in the United States or foreign non-hyperinflationary countries. The Company operates in certain countries around the world, such as Argentina, Venezuela and Zimbabwe, that have experienced hyperinflation. In hyperinflationary foreign countries, the Company attempts to mitigate the effects of inflation by increasing prices in line with inflation, where possible, and efficiently managing its working capital levels.

The impact of inflation on both the Company's financial position and results of operations is not expected to adversely affect Fiscal 2004 results. The Company's financial position continues to remain strong, enabling it to meet cash requirements for operations, including anticipated additional pension plan contributions, capital expansion programs and dividends to shareholders.

Stock Market Information

H. J. Heinz Company common stock is traded principally on the New York Stock Exchange and the Pacific Exchange, under the symbol HNZ. The number of shareholders of record of the Company's common stock as of June 30, 2003 approximated 53,000. The closing price of the common stock on the New York Stock Exchange composite listing on April 30, 2003 was $29.88. The value of the SKF Foods stock that was distributed to shareholders on December 20, 2002 was estimated to be $3.45 immediately prior to the merger of SKF Foods with Del Monte.

Stock price information for common stock by quarter follows:

	Stock Price Range	
	High	*Low*
2003		
First	$43.19	$34.00
Second	39.50	30.31
Third	35.28	31.84
Fourth	32.31	29.05
2002		
First	$43.37	$39.01
Second	46.96	39.74
Third	43.30	38.12
Fourth	42.99	40.00

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

This information is set forth in this report in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 21 through 23.

Item 8. Financial Statements and Supplementary Data.

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Report of Independent Auditors

To the Shareholders of
H. J. Heinz Company:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of H. J. Heinz Company and its subsidiaries (the "Company") at April 30, 2003 and May 1, 2002, and the results of its operations and its cash flows for each of the three years in the period ended April 30, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for goodwill and other intangible assets in conformity with Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" which was adopted as of May 2, 2002.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
June 11, 2003

H. J. Heinz Company and Subsidiaries

Consolidated Statements of Income

	Fiscal year ended		
	April 30, 2003 (52 Weeks)	May 1, 2002 (52 Weeks)	May 2, 2001 (52 Weeks)
	(In thousands, except per share amounts)		
Sales	$8,236,836	$7,614,036	$6,987,698
Cost of products sold	5,304,362	4,858,087	4,407,267
Gross profit	2,932,474	2,755,949	2,580,431
Selling, general and administrative expenses	1,758,658	1,456,077	1,591,472
Operating income	1,173,816	1,299,872	988,959
Interest income	31,083	26,197	22,597
Interest expense	223,532	230,611	262,488
Other expense/(income), net	112,636	44,938	(5,358)
Income from continuing operations before income taxes and cumulative effect of change in accounting principle	868,731	1,050,520	754,426
Provision for income taxes	313,372	375,339	190,495
Income from continuing operations before cumulative effect of change in accounting principle	555,359	675,181	563,931
Income/(loss) from discontinued operations, net of tax	88,738	158,708	(70,638)
Income before cumulative effect of change in accounting principle	644,097	833,889	493,293
Cumulative effect of change in accounting principle	(77,812)	—	(15,281)
Net income	$ 566,285	$ 833,889	$ 478,012
Income Per Common Share:			
Diluted			
Continuing operations	$ 1.57	$ 1.91	$ 1.61
Discontinued operations	0.25	0.45	(0.20)
Cumulative effect of change in accounting principle	(0.22)	—	(0.05)
Net Income	$ 1.60	$ 2.36	$ 1.36
Average common shares outstanding—Diluted	354,144	352,872	351,041
Basic			
Continuing operations	$ 1.58	$ 1.93	$ 1.62
Discontinued operations	0.25	0.45	(0.21)
Cumulative effect of change in accounting principle	(0.22)	—	(0.04)
Net Income	$ 1.61	$ 2.38	$ 1.37
Average common shares outstanding—Basic	351,250	349,921	347,758
Cash dividends per share	$ 1.485	$ 1.6075	$ 1.545

See Notes to Consolidated Financial Statements.

H. J. Heinz Company and Subsidiaries

Consolidated Balance Sheets

	April 30, 2003	May 1, 2002
	(Dollars in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 801,732	$ 202,403
Receivables (net of allowances: 2003—$22,199 and 2002—$15,654)	1,165,460	1,232,388
Inventories:		
Finished goods and work-in-process	902,186	922,823
Packaging material and ingredients	250,767	274,099
Total inventories	1,152,953	1,196,922
Prepaid expenses	147,656	146,698
Other current assets	16,519	9,363
Current assets of discontinued operations	—	585,792
Total current assets	3,284,320	3,373,566
Property, plant and equipment:		
Land	61,870	57,135
Buildings and leasehold improvements	752,799	713,105
Equipment, furniture and other	2,598,184	2,431,280
	3,412,853	3,201,520
Less accumulated depreciation	1,454,987	1,292,408
Total property, plant and equipment, net	1,957,866	1,909,112
Other non-current assets:		
Goodwill	1,849,389	1,826,504
Trademarks, net	610,063	549,635
Other intangibles, net	134,897	142,076
Other non-current assets	1,388,216	1,116,338
Non-current assets of discontinued operations	—	1,361,123
Total other non-current assets	3,982,565	4,995,676
Total assets	$9,224,751	$10,278,354

See Notes to Consolidated Financial Statements.

H. J. Heinz Company and Subsidiaries

Consolidated Balance Sheets

	April 30, 2003	May 1, 2002
	(Dollars in thousands)	
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt	$ 146,838	$ 178,358
Portion of long-term debt due within one year	7,948	524,287
Accounts payable	938,168	882,826
Salaries and wages	43,439	34,355
Accrued marketing	201,945	155,094
Other accrued liabilities	387,130	431,000
Income taxes	200,666	191,091
Current liabilities of discontinued operations	—	112,158
Total current liabilities	1,926,134	2,509,169
Long-term debt and other liabilities:		
Long-term debt	4,776,143	4,642,968
Deferred income taxes	183,998	268,307
Non-pension postretirement benefits	192,663	187,275
Minority interest	415,559	440,648
Other	531,097	336,635
Non-current liabilities of discontinued operations	—	174,736
Total long-term debt and other liabilities	6,099,460	6,050,569
Shareholders' equity:		
Capital stock:		
Third cumulative preferred, $1.70 first series, $10 par value	106	110
Common stock, 431,096,485 shares issued, $0.25 par value	107,774	107,774
	107,880	107,884
Additional capital	376,542	348,605
Retained earnings	4,432,571	4,968,535
	4,916,993	5,425,024
Less:		
Treasury shares, at cost (79,647,881 shares at April 30, 2003 and 80,192,280 shares at May 1, 2002)	2,879,506	2,893,198
Unearned compensation	21,195	230
Accumulated other comprehensive loss	817,135	812,980
Total shareholders' equity	1,199,157	1,718,616
Total liabilities and shareholders' equity	$9,224,751	$10,278,354

See Notes to Consolidated Financial Statements.

H. J. Heinz Company and Subsidiaries
Consolidated Statements of Shareholders' Equity

	Comprehensive Income	Preferred Stock Shares	Preferred Stock Dollars	Common Stock Shares	Common Stock Dollars
	(Amounts in thousands, except per share amounts)				
Balance at May 3, 2000		14	$139	431,096	$107,774
Comprehensive income—2001:					
Net income—2001	$ 478,012				
Other comprehensive income (loss), net of tax:					
Minimum pension liability, net of $6,995 tax benefit	(11,909)				
Unrealized translation adjustments	(179,476)				
Cumulative effect of change in accounting for derivatives	(64)				
Net change in fair value of cash flow hedges	(1,669)				
Net hedging losses reclassified into earnings	595				
Comprehensive income	$ 285,489				
Cash dividends:					
Preferred @ $1.70 per share					
Common @ $1.545 per share					
Shares reacquired					
Conversion of preferred into common stock		(1)	(13)		
Stock options exercised, net of shares tendered for payment					
Unearned compensation amortization					
Other, net*					
Balance at May 2, 2001		13	126	431,096	107,774
Comprehensive income—2002:					
Net income—2002	$ 833,889				
Other comprehensive income (loss), net of tax:					
Minimum pension liability, net of $3,782 tax benefit	(6,440)				
Unrealized translation adjustments	30,824				
Net change in fair value of cash flow hedges	(3,270)				
Net hedging losses reclassified into earnings	3,194				
Comprehensive income	$ 858,197				
Cash dividends:					
Preferred @ $1.70 per share					
Common @ $1.6075 per share					
Shares reacquired					
Conversion of preferred into common stock		(2)	(16)		
Stock options exercised, net of shares tendered for payment					
Unearned compensation amortization					
Other, net*					
Balance at May 1, 2002		11	110	431,096	107,774
Comprehensive income—2003:					
Net income—2003	$ 566,285				
Other comprehensive income (loss), net of tax:					
Minimum pension liability, net of $186,595 tax benefit	(414,900)				
Unrealized translation adjustments	404,163				
Net change in fair value of cash flow hedges	24,265				
Net hedging gains reclassified into earnings/spun off	(17,683)				
Comprehensive income	$ 562,130				
Cash dividends:					
Preferred @ $1.70 per share					
Common @ $1.485 per share					
Conversion of preferred into common stock			(4)		
Stock options exercised, net of shares tendered for payment					
Spin off of SKF Foods					
Grant of restricted stock units, net of amortization					
Other, net*					
Balance at April 30, 2003		11	$106	431,096	$107,774
Authorized Shares—April 30, 2003		11		600,000	

* Includes activity of the Global Stock Purchase Plan.

See Notes to Consolidated Financial Statements.

Additional Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Dollars	Unearned Compensation	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
$304,318	$4,756,513	(83,653)	$(2,920,471)	$ (7,652)	$(644,765)	$1,595,856
	478,012					478,012
					(192,523)	(192,523)
	(22)					(22)
	(537,290)					(537,290)
		(2,325)	(90,134)			(90,134)
(446)		18	459			—
25,787†		3,389	76,737			102,524
				4,551		4,551
1,974		423	10,779			12,753
331,633	4,697,213	(82,148)	(2,922,630)	(3,101)	(837,288)	1,373,727
	833,889					833,889
					24,308	24,308
	(20)					(20)
	(562,547)					(562,547)
		(1,000)	(45,363)			(45,363)
(540)		22	556			—
13,660†		2,556	64,620			78,280
				2,871		2,871
3,852		378	9,619			13,471
348,605	4,968,535	(80,192)	(2,893,198)	(230)	(812,980)	1,718,616
	566,285					566,285
					(4,155)	(4,155)
	(19)					(19)
	(521,592)					(521,592)
(160)		6	164			—
838†		311	7,755			8,593
	(580,638)					(580,638)
26,117				(20,965)		5,152
1,142		227	5,773			6,915
$376,542	$4,432,571	79,648	$(2,879,506)	$(21,195)	$(817,135)††	$1,199,157

† Includes income tax benefit resulting from exercised stock options.
†† Comprised of unrealized translation adjustment of $(371,393), minimum pension liability of $(451,110) and deferred net gains on derivative financial instruments $5,368.

H. J. Heinz Company and Subsidiaries

Consolidated Statements of Cash Flows

	Fiscal year ended		
	April 30, 2003 (52 Weeks)	*May 1, 2002 (52 Weeks)*	*May 2, 2001 (52 Weeks)*
	(Dollars in thousands)		
Operating activities:			
Net income	$ 566,285	$ 833,899	$ 478,012
Net (income)/loss from discontinued operations	(88,738)	(158,708)	70,638
Net income from continuing operations	477,547	675,181	548,650
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	194,328	177,403	163,289
Amortization	20,434	65,445	56,288
Deferred tax provision	133,320	77,412	80,063
Loss on sale of The All American Gourmet business	—	—	94,600
Cumulative effect of changes in accounting principle	77,812	—	15,281
Benefit from tax planning and new tax legislation in Italy	—	—	(93,150)
Provision for transaction costs and restructuring	177,979	12,386	247,934
Other items, net	(133,696)	(121,288)	(69,363)
Changes in current assets and liabilities, excluding effects of acquisitions and divestitures:			
Receivables	53,177	(76,145)	(140,020)
Inventories	66,351	(110,537)	126,751
Prepaid expenses and other current assets	(13,337)	(31,982)	(22,466)
Accounts payable	(1,665)	(9,460)	(59,421)
Accrued liabilities	(171,793)	(39,857)	(370,868)
Income taxes	25,581	95,801	(317,612)
Cash provided by operating activities	906,038	714,359	259,956
Investing activities:			
Capital expenditures	(153,969)	(193,854)	(358,930)
Proceeds from disposals of property, plant and equipment	33,533	17,555	178,102
Acquisitions, net of cash acquired	(13,554)	(834,838)	(672,958)
Proceeds from divestitures	54,981	32,859	64,578
Proceeds from spin-off of SKF Foods	1,063,557	—	—
Purchases of short-term investments	—	—	(1,484,201)
Sales and maturities of short-term investments	—	17,314	1,493,091
Investment in The Hain Celestial Group, Inc.	—	—	(79,743)
Other items, net	(23,460)	(13,173)	(21,764)
Cash provided by/(used for) investing activities	961,088	(974,137)	(881,825)
Financing activities:			
Proceeds from long-term debt	—	2,009,111	1,536,744
Payments on long-term debt	(741,206)	(329,178)	(48,321)
(Payments on) proceeds from commercial paper and short-term debt, net	(176,214)	(1,270,984)	(680,858)
Proceeds from issuance of preferred stock of subsidiary	—	325,000	—
Dividends	(521,611)	(562,567)	(537,312)
Purchase of treasury stock	—	(45,363)	(90,134)
Exercise of stock options	7,495	63,731	93,901
Other items, net	14,994	(8,491)	9,077
Cash (used for)/provided by financing activities	(1,416,542)	181,259	283,097
Effect of exchange rate changes on cash and cash equivalents	46,517	(12,234)	(14,354)
Effect of discontinued operations	102,228	159,498	353,770
Net increase in cash and cash equivalents	599,329	68,745	644
Cash and cash equivalents at beginning of year	202,403	133,658	133,014
Cash and cash equivalents at end of year	$ 801,732	$ 202,403	$ 133,658

See Notes to Consolidated Financial Statements.

H. J. Heinz Company and Subsidiaries

Notes to Consolidated Financial Statements

1. Significant Accounting Policies

Fiscal Year:

H. J. Heinz Company (the "Company") operates on a 52- or 53-week fiscal year ending the Wednesday nearest April 30. However, certain foreign subsidiaries have earlier closing dates to facilitate timely reporting. Fiscal years for the financial statements included herein ended April 30, 2003, May 1, 2002, and May 2, 2001.

Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions are eliminated. Investments owned less than 50%, where significant influence exists, are accounted for on an equity basis. Certain prior-year amounts have been reclassified in order to conform with the Fiscal 2003 presentation.

On May 3, 2001, the Company reorganized its U.S. corporate structure by consolidating its U.S. business into two major entities: H. J. Heinz Finance Company ("Heinz Finance") manages treasury functions and H. J. Heinz Company, LP ("Heinz LP") owns or leases the operating assets and manages the U.S. business. Heinz Finance assumed primary liability for payment of the Company's outstanding senior unsecured debt and accrued interest by becoming a co-obligor with the Company. All the assets, liabilities, results of operations and cash flows of Heinz Finance and Heinz LP are included in the Company's consolidated financial statements.

Use of Estimates:

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Translation of Foreign Currencies:

For all significant foreign operations, the functional currency is the local currency. Assets and liabilities of these operations are translated at the exchange rate in effect at each year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included as a component of shareholders' equity. Gains and losses from foreign currency transactions are included in net income for the period.

Cash Equivalents:

Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less.

Inventories:

Inventories are stated at the lower of cost or market. Cost is determined principally under the average cost method.

Property, Plant and Equipment:

Land, buildings and equipment are recorded at cost. For financial reporting purposes, depreciation is provided on the straight-line method over the estimated useful lives of the assets. Accelerated depreciation methods are generally used for income tax purposes. Expenditures for new facilities and improvements that substantially extend the capacity or useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. When property is retired or otherwise disposed, the cost and related depreciation are removed from the accounts and any related gains or losses are included in income. Property, plant and equipment are reviewed periodically for possible impairment. The Company's impairment review is based on an undiscounted cash flow analysis at the lowest level for which identifiable cash flows exist. Impairment occurs when the carrying value of the asset exceeds the future undiscounted cash flows. When an impairment is indicated, the asset is written down to its fair value.

Intangibles:

Intangible assets with finite useful lives are amortized on a straight-line basis over the estimated periods benefited, and are reviewed periodically for possible impairment, similar to property, plant and equipment. Goodwill and intangible assets with indefinite useful lives are not amortized. Prior to 2002, goodwill and intangible assets with indefinite useful lives were amortized over periods not exceeding 40 years. The carrying values of goodwill and other intangible assets with indefinite useful lives are tested at least annually for impairment.

Revenue Recognition:

The Company recognizes revenue when title, ownership and risk of loss pass to the customer.

Advertising Expenses:

Advertising costs are expensed in the year in which the advertising first takes place.

Income Taxes:

Deferred income taxes result primarily from temporary differences between financial and tax reporting. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

The Company has not provided for possible U.S. taxes on the undistributed earnings of foreign subsidiaries that are considered to be reinvested indefinitely. Calculation of the unrecognized deferred tax liability for temporary differences related to these earnings is not practicable. Where it is contemplated that earnings will be remitted, credit for foreign taxes already paid generally will offset applicable U.S. income taxes. In cases where they will not offset U.S. income taxes, appropriate provisions are included in the consolidated statements of income.

Stock-Based Employee Compensation Plans:

Stock-based compensation is accounted for by using the intrinsic value-based method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized for the Company's stock option plans. If the Company had elected to recognize compensation cost based on the

fair value of the options granted at grant date as prescribed by SFAS No. 123, income and earnings per share from continuing operations before cumulative effect of change in accounting principle would have been reduced to the pro forma amounts indicated below:

	Fiscal year ended		
	April 30, 2003 (52 Weeks)	*May 1, 2002 (52 Weeks)*	*May 2, 2001 (52 Weeks)*
	(Dollars in thousands, except per share amounts)		
Pro forma income from continuing operations before cumulative effect of change in accounting principle	$529,250	$631,827	$526,519
Pro forma diluted income per common share from continuing operations before cumulative effect of change in accounting principle	$ 1.49	$ 1.79	$ 1.51
Pro forma basic income per common share from continuing operations before cumulative effect of change in accounting principle	$ 1.51	$ 1.81	$ 1.51

The weighted-average fair value of options granted was $6.86 per share in Fiscal 2003, $8.54 per share in Fiscal 2002 and $8.46 per share in Fiscal 2001.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2003	*2002*	*2001*
Dividend yield	4.3%	3.9%	3.8%
Volatility	25.2%	23.3%	23.5%
Risk-free interest rate	4.0%	4.6%	6.0%
Expected term (years)	6.5	6.5	6.5

Financial Instruments:

The Company's financial instruments consist primarily of cash and cash equivalents, short-term and long-term debt, swaps, forward contracts, commodity futures, and option contracts. The carrying values for the Company's financial instruments approximate fair value with the exception at times of long-term debt. As of April 30, 2003 and May 1, 2002, the fair value of debt obligations approximated the recorded value. As a policy, the Company does not engage in speculative or leveraged transactions, nor does the Company hold or issue financial instruments for trading purposes.

The Company uses derivative financial instruments for the purpose of hedging currency, price, and interest rate exposures, which exist as part of ongoing business operations. The Company carries derivative instruments on the balance sheet at fair value, determined by reference to quoted market prices. Interest rate swaps designated as fair value hedges are presented as a component of other non-current assets. All other derivatives are included in receivables or accounts payable, based on the instrument's fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it. The cash flows related to derivative instruments are classified in the consolidated statements of cash flows within operating activities as a component of other items, net.

2. Recently Issued Accounting Standards:

In Fiscal 2001, the Company changed its method of accounting for revenue recognition in accordance with Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." Under the new accounting method, adopted retroactive to May 4, 2000, Heinz recognizes revenue upon the passage of title, ownership and risk of loss to the customer. The cumulative effect of the change on prior years resulted in a charge to income in Fiscal 2001 of $14.8 million (net of income taxes of $9.3 million). The change did not have a significant effect on revenues or results of operations for the year ended May 2, 2001.

Effective May 2, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." Under this standard, goodwill and intangibles with indefinite useful lives are no longer amortized. This standard also requires, at a minimum, an annual impairment assessment of the carrying value of goodwill and intangibles with indefinite useful lives. The reassessment of intangible assets, including the ongoing impact of amortization, and the assignment of goodwill to reporting units was completed during the first quarter of Fiscal 2003.

The Company completed its transitional goodwill impairment tests during the second quarter of Fiscal 2003 and, as a result, recorded a transitional impairment charge that was calculated as of May 2, 2002, and recorded as an effect of a change in accounting principle for Fiscal 2003, of $77.8 million. There was no tax effect associated with this charge. The charge, which relates to certain of the Company's reporting units, has been reflected in its segments as follows: Europe $54.6 million, Asia/Pacific $2.7 million, and Other Operating Entities $20.5 million.

The transitional impairment charge resulted from application of the new impairment methodology introduced by SFAS No. 142. Previous accounting rules incorporated a comparison of carrying value to undiscounted cash flows, whereas new rules require a comparison of carrying value to discounted cash flows, which are lower. Under previous requirements, no goodwill impairment would have been recorded on May 2, 2002.

The effects of adopting the new standards on net income and diluted earnings per share are as follows:

	Fiscal Year Ended					
	Net income			*Diluted EPS*		
	2003	*2002*	*2001*	*2003*	*2002*	*2001*
	(Thousands of dollars)					
Net income before effect of change in accounting principle	$644,097	$833,889	$494,918	$ 1.82	$2.36	$1.41
Add: Goodwill amortization	—	53,775	44,902	—	0.16	0.13
Trademark amortization	—	8,520	8,332	—	0.02	0.02
Adjusted net income before effect of change in accounting principle	644,097	896,184	548,152	1.82	2.54	1.56
Effect of change in accounting principle	(77,812)	—	(16,906)	(0.22)	—	(0.05)
Adjusted net income	$566,285	$896,184	$531,246	$ 1.60	$2.54	$1.51

Income from continuing operations for Fiscal 2002 and 2001 would have been $720.4 million and $583.7 million ($0.13 and $0.10 per share higher) respectively, had the provisions of the new standards been applied as of May 4, 2000.

Changes in the carrying amount of goodwill for the fiscal year ended April 30, 2003, by reportable segment, are as follows:

	Heinz North America	*U.S. Frozen*	*Europe*	*Asia / Pacific*	*Other Operating Entities*	*Total*
			(Thousands of dollars)			
Balance at May 1, 2002	$581,261	$471,351	$639,465	$109,613	$24,814	$1,826,504
Acquisition/(disposal)	(5,564)	—	—	9,704	(1,810)	2,330
Effect of change in accounting principle	—	—	(54,533)	(2,737)	(20,542)	(77,812)
Purchase accounting reclassifications	1,741	5,394	(32,144)	—	—	(25,009)
Translation adjustments	3,975	—	98,400	24,309	7	126,691
Other	(728)	(1,280)	(3,973)	2,312	354	(3,315)
Balance at April 30, 2003	$580,685	$475,465	$647,215	$143,201	$ 2,823	$1,849,389

Trademarks and other intangible assets at April 30, 2003 and May 1, 2002, subject to amortization expense, are as follows:

	April 30, 2003			*May 1, 2002*		
	Gross	*Accum Amort*	*Net*	*Gross*	*Accum Amort*	*Net*
			(Thousands of dollars)			
Trademarks	$191,832	$ (55,691)	$136,141	$179,496	$ (28,238)	$151,258
Licenses	208,186	(112,617)	95,569	208,186	(106,730)	101,456
Other	96,938	(57,610)	39,328	87,941	(47,321)	40,620
	$496,956	$(225,918)	$271,038	$475,623	$(182,289)	$293,334

Amortization expense for trademarks and other intangible assets subject to amortization was $20.4 million for the fiscal year ended April 30, 2003. Based upon the amortizable intangible assets recorded on the balance sheet as of April 30, 2003, amortization expense for each of the next five fiscal years is estimated to be approximately $20.0 million.

Intangible assets not subject to amortization at April 30, 2003 and May 1, 2002, were $473.9 million and $398.4 million, respectively, and consisted solely of trademarks.

Effective May 2, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 provides updated guidance concerning the recognition and measurement of an impairment loss for certain types of long-lived assets, expands the scope of a discontinued operation to include a component of an entity and eliminates the current exemption to consolidation when control over a subsidiary is likely to be temporary. The adoption of this new standard did not have a material impact on the Company's financial position, results of operations or cash flows for the fiscal year ended April 30, 2003.

During Fiscal 2003, the Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This Statement also establishes that fair value is the objective for initial measurement of the liability.

During Fiscal 2003, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." Interpretation No. 45

elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued, and it requires the recognition of a liability at fair value by a guarantor at the inception of a guarantee. The initial recognition and measurement provisions of FIN 45 are effective on a prospective basis for all guarantees issued or modified after December 31, 2002. The Company has not issued or modified any material guarantees since December 31, 2002.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of FASB Statement No. 123". SFAS No. 148 provides alternative methods of transitions for entities that voluntarily change to the fair value method of accounting for stock-based employee compensation, and it also amends the disclosure provisions of SFAS No. 123 to require disclosure about the effects of an entity's accounting policy decisions with respect to stock-based employee compensation in both annual and interim financial reporting. The disclosure provisions of SFAS No. 148 were effective for the Company at April 30, 2003.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This statement affects the classification, measurement and disclosure requirements of certain freestanding financial instruments including mandatorily redeemable shares. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective for the Company for the second quarter of Fiscal 2004. The adoption of SFAS No. 150 will require the reclassification of the Company's $325 million of mandatorily redeemable preferred shares from minority interest to long-term debt on the consolidated balance sheet and the $20.2 million annual preferred dividend from other expenses, net to interest expense on the consolidated statement of income with no resulting effect on the Company's profitability.

3. Discontinued Operations And Spin-Off

On December 20, 2002, Heinz transferred to a wholly-owned subsidiary ("SKF Foods") certain assets and liabilities, including its U.S. and Canadian pet food and pet snacks, U.S. tuna, U.S. retail private label soup and private label gravy, *College Inn* broths and its U.S. infant feeding businesses and distributed all of the shares of SKF Foods common stock on a pro rata basis to its shareholders. Immediately thereafter, SKF Foods merged with a wholly-owned subsidiary of Del Monte Foods Company ("Del Monte") resulting in SKF Foods becoming a wholly-owned subsidiary of Del Monte ("the Merger").

In accordance with accounting principles generally accepted in the United States of America, the operating results and net assets related to these businesses spun off to Del Monte have been included in discontinued operations in the Company's consolidated statements of income and consolidated balance sheets. Discontinued operations for the fiscal years ended April 30, 2003, and May 1, 2002, represent operating results for eight and twelve months respectively. The net assets distributed to Heinz shareholders have been treated as a dividend and charged to retained earnings.

The discontinued operations generated sales of $1,091.3 million, $1,817.0 million and $1,833.2 million and net income of $88.7 million (net of $35.4 million in tax), net income of $158.7 million (net of $69.4 million in tax) and a net loss of $70.6 million (net of $12.4 million of a tax benefit) for the fiscal years ended April 30, 2003, May 1, 2002, and May 2, 2001, respectively.

Net assets related to discontinued operations of $1,660.0 million are reported on the May 1, 2002 consolidated balance sheet. These assets consist of the following:

(Thousands of dollars)	*May 1, 2002*
Receivables	$ 216,759
Inventories	330,632
Property, plant and equipment, net	340,962
Intangibles	971,860
Other assets	86,702
Total assets	1,946,915
Accounts payable	55,657
Other accrued liabilities	56,501
Other long-term liabilities	174,736
Total liabilities	286,894
Net Assets	$1,660,021

4. Acquisitions/Divestitures

All of the following acquisitions have been accounted for as purchases and, accordingly, the respective purchase prices have been allocated to the respective assets and liabilities based upon their estimated fair values as of the acquisition date. Operating results of businesses acquired have been included in the consolidated statements of income from the respective acquisition dates forward. There are no significant contingent payments, options or commitments associated with any of the acquisitions.

Pro forma results of the Company, assuming all of the following acquisitions and divestitures had occurred at the beginning of each period presented, would not be materially different from the results reported.

Fiscal 2003:

In Fiscal 2003 there were no significant acquisitions or divestitures.

Fiscal 2002:

The Company acquired the following businesses for a total of $837.3 million, which was paid primarily in cash, including obligations to sellers of $2.5 million:

- In July 2001, the Company completed the acquisition of Borden Food Corporation's pasta sauce, dry bouillon and soup business including such brands as *Classico* pasta sauces, *Aunt Millie's* pasta sauce, *Mrs. Grass Recipe* soups and *Wyler's* bouillons and soups.

- In August 2001, the Company completed the acquisition of Delimex Holdings, Inc., a leading maker of frozen Mexican food products such as taquitos, quesadillas, tamales and rice bowls.

- In September 2001, the Company completed the acquisition of Anchor Food Products branded retail business, which includes the retail licensing rights to the *T.G.I. Friday's* brand of frozen snacks and appetizers and the *Poppers* brand of retail appetizer lines.

- The Company also made other smaller acquisitions.

The allocations of the purchase price resulted in goodwill of $588.5 million, which was assigned to the U.S. Frozen segment ($380.7 million) and the Heinz North America segment ($207.8 million). Of that amount, $375.3 million is expected to be deductible for tax purposes. In addition, $192.1 million of intangible assets were acquired, of which $97.2 million was assigned to brands and trademarks that are not subject to amortization. The remaining $94.9 million of acquired intangible assets has a weighted-average useful life of approximately 27 years. The intangible assets that make up that amount include brands and trademarks of $39.1 million (38-year weighted-average useful life), licensing agreements of $45.8 million (20-year weighted-average useful life) and patents of $10.0 million (18-year weighted-average useful life).

Fiscal 2001:

The Company acquired businesses for a total of $678.4 million, including obligations to sellers of $5.5 million. The allocations of the purchase price resulted in goodwill of $478.6 million and trademarks and other intangible assets of $117.4 million.

On February 28, 2001, the Company completed the acquisition of the CSM Food Division of CSM Nederland NV, one of the leading food companies in the Benelux (Belgium, the Netherlands, Luxembourg) region which includes the following brands: *Honig* brand of soups, sauces and pasta meals; *HAK* brand vegetables packed in glass; *KDR (Koninklijke de Ruijter)* brand sport drinks and fortified juices; and *KDR* brand spreads and sprinkles, which are traditional toppings for breakfast breads and toasts.

On March 1, 2001, the Company acquired two privately held U.S. foodservice companies: Cornucopia, Inc. of Irvine, California, and Central Commissary, Inc. of Phoenix, Arizona. Both companies make and market refrigerated and frozen reciped food products. Also during Fiscal 2001, the Company completed the acquisitions of IDF Holdings, Inc., the parent of International DiverseFoods Inc., a leading manufacturer of customized dressings, sauces, mixes and condiments for restaurant chains and foodservice distributors, and Alden Merrell Corporation, a manufacturer of high-quality, premium-priced frozen desserts for casual dining restaurants and foodservice distributors. The Company also made other smaller acquisitions.

On February 9, 2001, the Company announced it had sold The All American Gourmet business and its *Budget Gourmet* and *Budget Gourmet Value Classics* brands of frozen entrees for $55.0 million. The transaction resulted in a pretax loss of $94.6 million ($66.2 million after-tax). During Fiscal 2001, the Company also made other smaller divestitures.

5. Special Items

Del Monte and Other Reorganization Costs

In Fiscal 2003, Del Monte transaction costs and costs to reduce overhead of the remaining business totaled $164.6 million pretax ($113.1 million after-tax) and were comprised of $61.8 million for legal, professional and other related costs, $51.3 million in employee termination and severance costs, $39.6 million related to the early retirement of debt, and $12.0 million in non-cash asset write-downs. Of this amount, $6.1 million was included in cost of products sold, $118.9 million in selling, general and administrative expenses ("SG&A"), and $39.6 million in other expense, net.

Additionally in Fiscal 2003, losses on the exit of non-strategic businesses, primarily the UK frozen pizza business and a North American fish and frozen vegetable business, totaled $62.4 million pretax ($49.3 million after-tax), and were comprised of $39.7 million in non-cash asset write-downs, $12.1 million in losses on the sale of businesses and $10.6 million in employee

termination, severance and other exit costs. Of these amounts, $47.3 million was included in cost of products sold and $15.1 million in SG&A. As of April 30, 2003, $46.2 million was included in accrued expenses related to Del Monte and other reorganization costs.

Streamline

In the fourth quarter of Fiscal 2001, the Company announced a restructuring initiative named "Streamline". This initiative included a worldwide organizational restructuring aimed at reducing overhead costs and was completed in the first half of Fiscal 2003.

During Fiscal 2003, the Company utilized $19.4 million of severance and exit accruals, principally related to its global overhead reduction plan, primarily in Europe and North America. In addition, as a result of the spin off of SKF Foods, a $3.4 million restructuring liability related to ceasing canned pet food production at the Company's Terminal Island, California facility was transferred to Del Monte.

During the first quarter of Fiscal 2002, the Company recognized restructuring and implementation charges totaling $8.3 million pretax ($6.1 million after-tax). In the fourth quarter of Fiscal 2002, the Company recorded a net charge of $4.1 million pretax ($2.8 million after-tax) to reflect revisions in original cost estimates. This charge was primarily a result of higher than expected severance costs (primarily in Europe and the U.S.). Total Fiscal 2002 pretax charges of $3.8 million were classified as cost of products sold and $8.6 million as SG&A.

During Fiscal 2001, the Company recognized restructuring charges and implementation costs totaling $101.4 million pretax ($69.0 million after-tax), which primarily include severance costs and were all classified as SG&A. Implementation costs were recognized as incurred in Fiscal 2002 ($2.6 million pretax) and Fiscal 2001 ($1.8 million pretax) and consist of incremental costs directly related to the implementation of the Streamline initiative.

Operation Excel

In Fiscal 1999, the Company announced a growth and restructuring initiative named "Operation Excel." This initiative was a multi-year, multi-faceted program that established manufacturing centers of excellence, focused the product portfolio, realigned the Company's management teams and invested in growth initiatives. The Company substantially completed Operation Excel in Fiscal 2002.

During Fiscal 2001, the Company recognized restructuring charges of $12.1 million pretax ($7.7 million after-tax). These charges were primarily associated with higher than originally expected severance costs associated with creating the single North American Grocery & Foodservice headquarters in Pittsburgh, Pennsylvania. Of this charge, $9.7 million was recorded in cost of products sold and $2.4 million in SG&A. This charge was offset by reversals of unutilized Operation Excel accruals and asset write-downs of $68.4 million pretax ($52.3 million after-tax), $36.0 million of which were recorded in cost of products sold and $32.3 million in SG&A and were primarily the result of lower than expected lease termination costs related to exiting the Company's fitness business, revisions in estimates of fair values of assets which were disposed of as part of Operation Excel, and the Company's decision not to transfer certain European baby food production. Implementation costs of $202.8 million pretax ($135.8 million after-tax) were also recognized in Fiscal 2001, of which $100.2 million was recorded in cost of products sold and $102.6 million in SG&A.

6. Income Taxes

The following table summarizes the provision/(benefit) for U.S. federal, state and foreign taxes on income from continuing operations.

	2003	2002	2001
	(Dollars in thousands)		
Current:			
U.S. federal	$ (1,701)	$133,428	$ 85,782
State	9,218	5,857	(17,379)
Foreign	172,535	158,642	42,029
	180,052	297,927	110,432
Deferred:			
U.S. federal	89,111	27,617	39,571
State	3,721	217	4,434
Foreign	40,488	49,578	36,058
	133,320	77,412	80,063
Provision for income taxes	$313,372	$375,339	$190,495

Tax expense resulting from allocating certain tax benefits directly to additional capital was $1.1 million in Fiscal 2003, $15.1 million in Fiscal 2002, and $12.5 million in Fiscal 2001.

The components of income from continuing operations before income taxes consist of the following:

	2003	2002	2001
	(Dollars in thousands)		
Domestic	$139,669	$ 375,325	$191,223
Foreign	729,062	675,195	563,203
From continuing operations	$868,731	$1,050,520	$754,426

The differences between the U.S. federal statutory tax rate and the Company's consolidated effective tax rate on continuing operations are as follows:

	2003	2002	2001
U.S. federal statutory tax rate	35.0%	35.0%	35.0%
Tax on income of foreign subsidiaries	(4.2)	(1.7)	(4.1)
State income taxes (net of federal benefit)	1.2	0.3	(0.9)
Earnings repatriation	0.8	1.0	5.7
Foreign losses	0.7	(0.3)	1.4
Tax law changes	(0.5)	—	(12.2)
Other	3.1	1.4	0.4
Effective tax rate	36.1%	35.7%	25.3%

The Fiscal 2001 effective tax rate was favorably impacted by the recognition of a tax benefit of $93.2 million related to new tax legislation enacted in Italy. The Fiscal 2003, 2002 and 2001 effective tax rates were unfavorably impacted by restructuring and related costs expected to be realized in lower tax rate jurisdictions and by nondeductible expenses related to the restructurings.

The deferred tax (assets) and deferred tax liabilities related to continuing operations recorded on the consolidated balance sheets as of April 30, 2003 and May 1, 2002 are as follows:

	2003	2002
	(Dollars in thousands)	
Depreciation/amortization	$380,432	$310,633
Benefit plans	2,835	62,061
Other	81,746	70,003
	465,013	442,697
Provision for estimated expenses	(25,601)	(1,388)
Operating loss carryforwards	(43,653)	(38,829)
Benefit plans	(179,120)	(127,282)
Tax credit carryforwards	(31,431)	(70,657)
Other	(102,126)	(119,022)
	(381,931)	(357,178)
Valuation allowance	62,754	100,358
Net deferred tax liabilities	$145,836	$185,877

At the end of Fiscal 2003, net operating loss carryforwards totaled $128.9 million. Of that amount, $67.9 million expire through 2027; the other $61.0 million do not expire. Foreign tax credit carryforwards total $31.4 million and expire through 2007.

The Company's consolidated United States income tax returns have been audited by the Internal Revenue Service for all years through 1994. The Company has retained responsibility for all income tax matters related to the spun-off businesses prior to December 20, 2002.

Undistributed earnings of foreign subsidiaries considered to be reinvested permanently amounted to $2.15 billion at April 30, 2003.

The Fiscal 2003 net change in valuation allowance for deferred tax assets was a decrease of $37.6 million, due principally to a reduction of deferred tax assets related to foreign tax credit carryforwards.

7. Debt

Short-term debt consisted of bank debt and other borrowings of $146.8 million and $178.4 million as of April 30, 2003 and May 1, 2002, respectively. The weighted average interest rate was 5.2% and 6.4% for Fiscal 2003 and Fiscal 2002, respectively.

In September 2001, the Company and Heinz Finance entered into a 364-Day Credit Agreement, which was renewed in September 2002, and a Five-Year Credit Agreement, expiring in September 2006. The 364-day agreement permits the Company and Heinz Finance to borrow up to $800 million. The five-year agreement permits the Company and Heinz Finance to borrow up to $1.5 billion. These agreements support the Company's commercial paper borrowings and the remarketable securities. As a result, these borrowings are classified as long-term debt based upon

the Company's ability to refinance these borrowings on a long-term basis. Long-term debt was comprised of the following as of April 30, 2003 and May 1, 2002:

	2003	*2002*
	(Dollars in thousands)	
Commercial paper	$ —	$ 119,117
6.875% U.S. Dollar Notes due January 2003	—	199,963
5.75% U.S. Dollar Notes due February 2003	—	249,794
5.00% Euro Notes due January 2005	335,621	272,051
6.85% New Zealand Dollar Notes due February 2005	50,400	40,302
5.125% Euro Notes due April 2006	501,897	407,790
6.00% U.S. Dollar Notes due March 2008	299,022	298,823
6.625% U.S. Dollar Notes due July 2011	749,142	749,038
6.00% U.S. Dollar Notes due March 2012	695,427	694,909
U.S. Dollar Remarketable Securities due November 2020	800,000	1,000,000
6.375% U.S. Dollar Debentures due July 2028	243,074	242,799
6.25% British Pound Notes due February 2030	198,314	181,164
6.75% U.S. Dollar Notes due March 2032	547,316	547,223
Other U.S. Dollar due October 2016 — November 2034 (3.39-14.2%)	18,479	24,618
Other Non-U.S. Dollar due December 2003 — March 2022 (2.85-11.0%)	50,597	116,114
	4,489,289	5,143,705
SFAS 133 Hedge Accounting Adjustments (See Note 13)	294,802	23,550
Less portion due within one year	(7,948)	(524,287)
Total long-term debt	$4,776,143	$4,642,968
Weighted-average interest rate on long-term debt, including the impact of applicable interest rate swaps	4.25%	4.65%

The fair value of the debt obligations approximated the recorded value as of April 30, 2003 and May 1, 2002. Annual maturities of long-term debt during the next five fiscal years are $7.9 million in 2004, $397.1 million in 2005, $509.8 million in 2006, $8.2 million in 2007 and $300.3 million in 2008.

In March 2002, Heinz Finance issued $700 million of 6% Notes due 2012 and $550 million of 6.75% Notes due 2032. The notes are guaranteed by the Company and the proceeds were used to retire commercial paper. The notes together with Heinz Finance's $750 million 6.625% Notes due 2011 were initially privately placed in reliance on exemptions from registration under the Securities Act of 1933. In March 2003, Heinz Finance exchanged new debt securities for these initial debt securities, with the new debt securities being substantially identical in all respects to the initial debt securities, except for being registered under the Securities Act of 1933.

As of April 30, 2003, the Company had $800 million of remarketable securities due November 2020. These securities are subject to an annual remarketing on each November 15, and the interest rate is reset on such dates. If the securities are not remarketed, then the Company is required to repurchase all of the securities at 100% of the principal amount plus accrued interest. On November 15, 2002, the securities were remarketed at an effective yield to the Company of 6.56%.

In Fiscal 2003, the Company used part of the proceeds from the Del Monte transaction to retire the following long-term debt:

	(Dollars in Thousand)
6.875% U.S. Dollar Notes due January 2003	$200,000
5.75% U.S. Dollar Notes due February 2003	$250,000
Remarketable Securities due November 2020	$200,000

In connection with the early retirement of a portion of the Remarketable Securities due November 2020, the Company recorded a $39.6 million pretax charge in other expenses, net in the consolidated statement of income.

8. Shareholders' Equity

Capital Stock:

The preferred stock outstanding is convertible at a rate of one share of preferred stock into 15 shares of common stock. The Company can redeem the stock at $28.50 per share.

As of April 30, 2003, there were authorized, but unissued, 2,200,000 shares of third cumulative preferred stock for which the series had not been designated.

Employee Stock Ownership Plan ("ESOP"):

The Company established an ESOP in 1990 to replace in full or in part the Company's cash-matching contributions to the H. J. Heinz Company Employees Retirement and Savings Plan, a 401(k) plan for salaried employees. Matching contributions to the 401(k) plan are based on a percentage of the participants' contributions, subject to certain limitations.

Global Stock Purchase Plan ("GSPP"):

On September 8, 1999, the shareholders authorized the GSPP which provides for the purchase by employees of up to 3,000,000 shares of the Company's stock through payroll deductions. Employees who choose to participate in the plan receive an option to acquire common stock at a discount. The purchase price per share is the lower of 85% of the fair market value of the Company's stock on the first or last day of a purchase period. During Fiscal 2003, employees purchased 217,235 shares under this plan.

Pension Obligation:

The Company made cash contributions to its pension plans totaling $224 million compared to $111 million in Fiscal 2002. In addition the Company recorded an additional minimum liability of $451.1 million as of April 30, 2003.

9. Supplemental Cash Flows Information

	2003	2002	2001
	(Dollars in thousands)		
Cash Paid During the Year For:			
Interest	$ 282,366	$290,513	$298,761
Income taxes	$ 155,843	$180,757	$456,279
Details of Acquisitions:			
Fair value of assets	$ 30,391	$889,440	$819,163
Liabilities*	11,489	52,615	136,358
Cash paid	18,902	836,825	682,805
Less cash acquired	5,348	1,987	9,847
Net cash paid for acquisitions	$ 13,554	$834,838	$672,958
Noncash activities:			
Net assets spun-off	$1,644,195	$ —	$ —

* Includes obligations to sellers of $2.5 million and $5.5 million in 2002 and 2001, respectively.

10. Employees' Stock Option Plans and Management Incentive Plans

Under the Company's stock option plans, officers and other key employees may be granted options to purchase shares of the Company's common stock. Generally, the option price on outstanding options is equal to the fair market value of the stock at the date of grant. Options are generally exercisable beginning from one to three years after date of grant and have a maximum term of 10 years. In Fiscal 1998, in order to place greater emphasis on creation of shareholder value, performance-accelerated stock options were granted to certain key executives. These options vest eight years after the grant date, subject to acceleration if predetermined share price goals are achieved.

Data regarding the Company's stock option plans follows:

	Shares	Weighted-Average Exercise Price
Shares under option May 3, 2000	29,718,282	$38.29
Options granted	4,806,600	37.19
Options exercised	(3,395,874)	26.69
Options surrendered	(887,663)	51.27
Shares under option May 2, 2001	30,241,345	39.04
Options granted	4,712,000	43.16
Options exercised	(2,555,999)	24.93
Options surrendered	(1,088,250)	51.01
Shares under option May 1, 2002	31,309,096	40.39
Options granted	3,711,410	35.43
Options exercised	(311,376)	33.03
Options surrendered	(402,306)	42.75
Spin off of SKF Foods	3,594,203	—
Shares under option April 30, 2003	37,901,027	$36.02
Options exercisable at:		
May 2, 2001	15,350,907	$33.00
May 1, 2002	19,087,840	38.40
April 30, 2003	21,234,857	34.87

The following summarizes information about shares under option in the respective exercise price ranges at April 30, 2003:

	Options Outstanding			*Options Exercisable*	
Range of Exercise Price Per Share	*Number Outstanding*	*Weighted-Average Remaining Life (Years)*	*Weighted-Average Remaining Exercise Price Per Share*	*Number Exercisable*	*Weighted-Average Exercise Price*
$19.90–33.11	14,385,032	4.2	$27.08	10,374,945	$25.18
33.33–46.91	17,468,255	6.7	38.30	7,353,171	41.18
47.41–54.00	6,047,740	5.1	50.67	3,506,741	50.30
	37,901,027	5.5	$36.02	21,234,857	$34.87

The shares authorized but not granted under the Company's stock option plans were 21,531,043 at April 30, 2003 and 7,840,147 at May 1, 2002. Common stock reserved for options totaled 59,432,070 at April 30, 2003 and 39,149,243 at May 1, 2002.

The Company's management incentive plan covers officers and other key employees. Participants may elect to be paid on a current or deferred basis. The aggregate amount of all awards may not exceed certain limits in any year. Compensation under the management incentive plans was approximately $19 million in Fiscal 2003, $21 million in Fiscal 2002 and $20 million in Fiscal 2001.

Restricted Stock Units

On September 12, 2002, the shareholders of the Company approved the "Fiscal Year 2003 Stock Incentive Plan", which permits the issuance of Restricted Stock Units ("RSUs") to employees with vesting periods between one and five years depending on the achievement of predefined goals. Upon vesting, the RSUs are converted into shares of the Company's common stock on a one-for-one basis and issued to the employees.

In Fiscal 2003, the Company granted 882,071 RSUs to employees, of which 7,731 were forfeited pursuant to the terms of the awards and 91,909 cancelled as a result of the spin-off of SKF Foods. At April 30, 2003, 782,431 RSUs remain outstanding.

RSUs are awarded to employees at a grant price equal to the fair market value of the Company's stock on the date of grant. The fair value of the awards granted has been recorded as unearned compensation and is shown as a separate component of shareholders' equity. The Company recognized amortization related to the unearned compensation of $5.8 million during the fiscal year.

11. Retirement Plans

The Company maintains retirement plans for the majority of its employees. Current defined benefit plans are provided primarily for domestic union and foreign employees. Defined contribution plans are provided for the majority of its domestic non-union hourly and salaried employees.

Total pension cost consisted of the following:

	2003	2002	2001
	(Dollars in thousands)		
Components of defined benefit net periodic benefit cost:			
Service cost	$ 35,980	$ 30,391	$ 25,769
Interest cost	106,115	96,444	89,889
Expected return on assets	(152,237)	(141,545)	(135,990)
Amortization of:			
Net initial asset	(1,325)	(1,818)	(2,637)
Prior service cost	8,815	8,473	9,616
Net actuarial loss/(gain)	10,472	4,386	(729)
Loss due to curtailment, settlement and special termination benefits	13,356	1,694	29,146
Net periodic benefit (income) cost	21,176	(1,975)	15,064
Defined contribution plans	24,786	19,314	21,846
Total pension cost	45,962	17,339	36,910
Less pension cost associated with discontinued operations	(5,901)	(4,926)	(4,237)
Pension cost associated with continuing operations	$ 40,061	$ 12,413	$ 32,673

The following table sets forth the funded status of the Company's principal defined benefit plans at April 30, 2003 and May 1, 2002.

	2003	2002
	(Dollars in thousands)	
Change in Benefit Obligation:		
Benefit obligation at the beginning of the year	$1,631,789	$1,549,413
Service cost	35,980	30,391
Interest cost	106,115	96,444
Participants' contributions	9,020	8,152
Amendments	91	9,596
Actuarial loss/(gain)	164,602	36,762
Curtailment gain	(430)	—
Settlement	(21,803)	—
Special termination benefits	8,039	1,254
Benefits paid	(92,546)	(110,846)
Spin off of SKF Foods	(47,303)	—
Acquisition	—	(3,543)
Exchange/other	129,000	14,166
Benefit obligation at the end of the year	1,922,554	1,631,789
Change in Plan Assets:		
Fair value of plan assets at the beginning of the year	1,510,811	1,496,171
Actual return on plan assets	(186,676)	(9,743)
Settlement	(21,803)	—
Employer contribution	223,541	110,632
Participants' contributions	9,020	8,152
Benefits paid	(92,546)	(110,846)
Spin off of SKF Foods	(40,646)	—
Acquisition	—	1,919
Exchange	110,179	14,526
Fair value of plan assets at the end of the year	1,511,880	1,510,811
Funded status	(410,674)	(120,978)
Unamortized prior service cost	60,198	70,972
Unamortized net actuarial loss/(gain)	879,677	364,890
Unamortized net initial asset	(1,507)	(2,626)
Net amount recognized	$ 527,694	$ 312,258
Amount recognized in the consolidated balance sheet consists of:		
Prepaid benefit cost	$ 134,575	$ 373,125
Other miscellaneous assets	51,856	—
Accrued benefit liability	(317,706)	(118,341)
Accumulated other comprehensive loss	658,969	57,474
Net amount recognized	$ 527,694	$ 312,258

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were $1,551.4 million, $1,423.6 million and $1,039.6 million, respectively, as of April 30, 2003 and $347.8 million, $298.7 million and $207.0 million, respectively, as of May 1, 2002. During Fiscal 2003, a total

prepaid pension asset in the amount of $10.2 million was transferred as a result of the spin off of SKF Foods.

The weighted-average rates used for the years ended April 30, 2003, May 1, 2002 and May 2, 2001 in determining the net pension costs and projected benefit obligations for defined benefit plans were as follows:

	2003	2002	2001
Expected rate of return	8.9%	9.2%	9.3%
Discount rate	5.9%	6.6%	6.7%
Compensation increase rate	4.0%	4.2%	4.3%

12. Postretirement Benefits Other Than Pensions and Other Post Employment Benefits

The Company and certain of its subsidiaries provide health care and life insurance benefits for retired employees and their eligible dependents. Certain of the Company's U.S. and Canadian employees may become eligible for such benefits. The Company currently does not fund these benefit arrangements and may modify plan provisions or terminate plans at its discretion.

Net postretirement costs consisted of the following:

	2003	2002	2001
	(Dollars in thousands)		
Components of defined benefit net periodic benefit cost:			
Service cost	$ 5,089	$ 4,668	$ 4,350
Interest cost	15,559	13,395	12,519
Amortization of:			
Prior service cost	(1,241)	(728)	(728)
Net actuarial gain	732	(2,170)	(3,560)
Loss due to curtailment and special termination benefits	3,054	551	951
Net periodic benefit cost	23,193	15,716	13,532
Less periodic benefit cost associated with discontinued operations	(2,291)	(3,831)	(3,344)
Periodic benefit cost associated with continuing operations	$20,902	$11,885	$10,188

The following table sets forth the combined status of the Company's postretirement benefit plans at April 30, 2003 and May 1, 2002.

	2003	2002
	(Dollars in thousands)	
Change in benefit obligation:		
Benefit obligation at the beginning of the year	$ 226,368	$ 186,256
Service cost	5,089	4,668
Interest cost	15,559	13,395
Participants' contributions	1,540	1,169
Actuarial loss	39,124	36,184
Spin off of SKF Foods	(25,346)	—
Acquisition	—	1,800
Special termination benefits	3,054	551
Benefits paid	(18,759)	(17,301)
Exchange/other	1,857	(354)
Benefit obligation at the end of the year	248,486	226,368
Funded status	(248,486)	(226,368)
Unamortized prior service cost	(8,804)	(5,127)
Unamortized net actuarial loss/(gain)	53,627	11,986
Net accrued benefit liability	$(203,663)	$(219,509)

The weighted-average discount rate used in the calculation of the accumulated post-retirement benefit obligation and the net postretirement benefit cost was 6.3% in 2003, 7.2% in 2002 and 7.5% in 2001. The weighted-average assumed annual composite rate of increase in the per capita cost of company-provided health care benefits begins at 8.7% for 2004, gradually decreases to 5.0% by 2009 and remains at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for postretirement medical benefits. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
	(Dollars in thousands)	
Effect on total service and interest cost components	$ 2,319	$ (1,360)
Effect on postretirement benefit obligation	20,726	(12,834)

During Fiscal 2003, the Company transferred a net accrued benefit liability of $24.0 million as a result of the spin off of SKF Foods.

13. Derivative Financial Instruments and Hedging Activities

The Company operates internationally, with manufacturing and sales facilities in various locations around the world, and utilizes certain derivative and non-derivative financial instruments to manage its foreign currency, commodity price, and interest rate exposures.

Foreign Currency Hedging:

The Company uses forward contracts and to a lesser extent, option contracts to mitigate its foreign currency exchange rate exposure due to forecasted purchases of raw materials and sales of finished goods, and future settlement of foreign currency denominated assets and liabilities. Derivatives used to hedge forecasted transactions and specific cash flows associated with foreign currency denominated financial assets and liabilities which meet the criteria for hedge accounting

are designated as cash flow hedges. Consequently, the effective portion of gains and losses is deferred as a component of accumulated other comprehensive loss and is recognized in earnings at the time the hedged item affects earnings, in the same line item as the underlying hedged item.

The Company uses certain foreign currency debt instruments as net investment hedges of foreign operations. Losses of $41.9 million (net of income taxes of $23.5 million), $2.4 million (net of income taxes of $1.4 million) and $0.2 million (net of income taxes of $0.1 million), which represented effective hedges of net investments, were reported as a component of accumulated other comprehensive loss within unrealized translation adjustment for the years ended April 30, 2003, May 1, 2002, and May 2, 2001, respectively.

Commodity Price Hedging:

The Company uses commodity futures, swaps and option contracts in order to reduce price risk associated with forecasted purchases of raw materials such as corn, soybean oil, and soybean meal. Commodity price risk arises due to factors such as weather conditions, government regulations, economic climate and other unforeseen circumstances. Derivatives used to hedge forecasted commodity purchases that meet the criteria for hedge accounting are designated as cash flow hedges. Consequently, the effective portion of changes in the fair value of these derivatives is deferred as a component of accumulated other comprehensive loss and is recognized as part of cost of products sold at the time the hedged item affects earnings.

Interest Rate Hedging:

The Company uses interest rate swaps to manage interest rate exposure. These derivatives may be designated as cash flow hedges or fair value hedges depending on the nature of the risk being hedged. Derivatives used to hedge risk associated with changes in the fair value of certain fixed rate debt obligations are designated as fair value hedges. Consequently, changes in the fair value of these derivatives, along with changes in the fair value of the hedged debt obligations that are attributable to the hedged risk, are recognized in current period earnings.

Hedge Ineffectiveness:

Hedge ineffectiveness related to cash flow hedges, which is reported in current period earnings as other income and expense, was a net loss of $0.8 million, $0.3 million, and $0.6 million for the years ended April 30, 2003, May 1, 2002, and May 2, 2001, respectively. The Company excludes the time value component of option contracts from the assessment of hedge effectiveness.

Deferred Hedging Gains and Losses:

As of April 30, 2003, the Company is hedging forecasted transactions for periods not exceeding 24 months. During the next 12 months, the Company expects $6.2 million of net deferred gain reported in accumulated other comprehensive loss to be reclassified to earnings. Net deferred losses reclassified to earnings because the hedged transaction was no longer expected to occur totaled $0.6 million for the year ended April 30, 2003 and were not significant for the years ended May 1, 2002 and May 2, 2001.

Other Activities:

The Company enters into certain derivative contracts in accordance with its risk management strategy that do not meet the criteria for hedge accounting. Although these derivatives do not qualify as hedges, they have the economic impact of largely mitigating foreign currency, commod-

ity price or interest rate exposures. These derivative financial instruments are accounted for on a full mark to market basis through current earnings even though they were not acquired for trading purposes.

At April 30, 2003, the notional amount outstanding of currency exchange, commodity, and interest rate derivative contracts was $715 million, $21 million, and $2.95 billion, respectively. At May 1, 2002, the notional amount outstanding of currency exchange, commodity, and interest rate derivative contracts was $845 million, $31 million, and $2.05 billion, respectively. The fair value of derivative financial instruments was a net asset of $300 million and $24 million at April 30, 2003 and May 1, 2002, respectively.

Concentration of Credit Risk:

Counterparties to currency exchange and interest rate derivatives consist of large major international financial institutions. The Company continually monitors its positions and the credit ratings of the conterparties involved and, by policy, limits the amount of credit exposure to any one party. While the Company may be exposed to potential losses due to the credit risk of non-performance by these counterparties, losses are not anticipated. During Fiscal 2003, no single customer represented more than 10% of the Company's sales.

14. Net Income Per Common Share

The following are reconciliations of income to income applicable to common stock and the number of common shares outstanding used to calculate basic EPS to those shares used to calculate diluted EPS.

	Fiscal year ended		
	April 30, 2003 (52 Weeks)	*May 1, 2002 (52 Weeks)*	*May 2, 2001 (52 Weeks)*
	(Amounts in thousands)		
Income from continuing operations before cumulative effect of change in accounting principle	$555,359	$675,181	$563,931
Preferred dividends	19	20	22
Income from continuing operations applicable to common stock before cumulative effect of change in accounting principle	555,378	675,201	563,953
Cumulative effect of change in accounting principle	(77,812)	—	(15,281)
Income from continuing operations applicable to common stock	$477,566	$675,201	$548,672
Average common shares outstanding—basic	351,250	349,921	347,758
Effect of dilutive securities:			
Convertible preferred stock	147	162	176
Stock options and restricted stock	2,747	2,789	3,107
Average common shares outstanding—diluted	354,144	352,872	351,041

Stock options outstanding of 18.4 million, 14.9 million and 11.5 million as of April 30, 2003, May 1, 2002 and May 2, 2001, respectively, were not included in the above net income per diluted share calculations because to do so would have been antidilutive for the periods presented.

15. Segment Information

The Company's reportable segments are primarily organized by geographical area. The composition of segments and measure of segment profitability is consistent with that used by the Company's management. The Heinz North America segment now includes only those businesses that were retained by Heinz following the Del Monte transaction. Prior periods have been reclassified to conform with the current presentation. Descriptions of the Company's reportable segments are as follows:

- ***Heinz North America***—This segment manufactures, markets and sells ketchup, condiments, sauces and pasta meals to the grocery and foodservice channels in North America.
- ***U.S. Frozen***—This segment manufactures, markets and sells frozen potatoes, entrees, snacks and appetizers.
- ***Europe***—This segment includes the Company's operations in Europe and sells products in all of the Company's core categories.
- ***Asia/Pacific***—This segment includes the Company's operations in New Zealand, Australia, Japan, China, South Korea, Indonesia, Thailand and India. This segment's operations include products in all of the Company's core categories.
- ***Other Operating Entities***—This segment includes the Company's operations in Africa, Venezuela and other areas that sell products in all of the Company's core categories. During Fiscal 2003, the Company deconsolidated its Zimbabwe operations which have historically been reported in this segment.

The Company's management evaluates performance based on several factors including net sales and the use of capital resources; however, the primary measurement focus is operating income excluding unusual costs and gains. Intersegment sales are accounted for at current market values. Items below the operating income line of the consolidated statements of income are not presented by segment, since they are excluded from the measure of segment profitability reviewed by the Company's management.

The following table presents information about the Company's reportable segments.

	Fiscal year ended					
	April 30, 2003 (52 Weeks)	*May 1, 2002 (52 Weeks)*	*May 2, 2001 (52 Weeks)*	*April 30, 2003 (52 Weeks)*	*May 1, 2002 (52 Weeks)*	*May 2, 2001 (52 Weeks)*
	Net External Sales			*Intersegment Sales*		
	(Dollars in thousands)					
Heinz North America	$2,273,174	$ 2,216,945	$2,086,765	$ 23,233	$ 21,421	$ 35,303
U.S. Frozen	1,156,311	1,171,487	956,564	7,729	10,222	12,660
Europe	3,148,347	2,834,396	2,582,769	6,072	6,737	3,657
Asia/Pacific	1,150,634	980,848	1,041,328	3,192	2,901	3,376
Other Operating Entities	508,370	410,360	320,272	2,192	1,379	—
Non-Operating (a)	—	—	—	(42,418)	(42,660)	(54,996)
Consolidated Totals	$8,236,836	$ 7,614,036	$6,987,698	$ —	$ —	$ —
	Operating Income (Loss)			*Operating Income (Loss) Excluding (b) Special Items*		
Heinz North America	$ 382,777	$ 477,255	$ 491,662	$ 449,567	$ 483,403	$ 541,529
U.S. Frozen	199,678	244,731	83,964	199,678	244,731	202,012
Europe	553,663	541,830	388,647	612,598	545,442	518,009
Asia/Pacific	117,505	82,060	96,123	124,154	81,919	147,599
Other Operating Entities	89,753	55,132	49,284	89,753	55,132	38,958
Non-Operating (a)	(169,560)	(101,136)	(120,721)	(114,543)	(98,391)	(97,104)
Consolidated Totals	$1,173,816	$ 1,299,872	$ 988,959	$1,361,207	$1,312,236	$1,351,003
	Depreciation and Amortization Expenses			*Capital Expenditures (c)*		
Total North America	$ 81,702	$ 96,962	$ 90,690	$ 60,289	$ 84,404	$ 158,653
Europe	95,461	107,222	90,106	60,174	71,688	140,780
Asia/Pacific	23,549	27,783	26,288	25,362	26,646	46,166
Other Operating Entities	5,071	6,974	8,117	3,797	6,169	4,716
Non-Operating (a)	8,979	3,907	4,376	4,347	4,947	8,615
Consolidated Totals	$ 214,762	$ 242,848	$ 219,577	$ 153,969	$ 193,854	$ 358,930
	Identifiable Assets					
Total North America	$3,468,650	$ 5,469,722	$4,572,995			
Europe	3,416,932	3,253,266	3,130,680			
Asia/Pacific	1,150,535	969,185	912,515			
Other Operating Entities	108,655	226,177	208,267			
Non-Operating (d)	1,079,979	360,004	210,693			
Consolidated Totals	$9,224,751	$10,278,354	$9,035,150			

(a) Includes corporate overhead, intercompany eliminations and charges not directly attributable to operating segments.

(b) ***Fiscal year ended April 30, 2003:*** Excludes Del Monte transaction related costs, costs to reduce overhead of the remaining businesses and losses on the exit of non-strategic businesses as follows: Heinz North America $66.8 million, Europe $58.9 million, Asia/Pacific $6.6 million and Non-Operating $55.0 million.

Fiscal year ended May 1, 2002: Excludes restructuring and implementation costs of the Streamline initiative as follows: Heinz North America $6.1 million, Europe $3.6 million, Asia/Pacific $(0.1) million and Non-Operating $2.7 million.

Fiscal year ended May 2, 2001: Excludes net restructuring and implementation costs of Operation Excel as follows: Heinz North America $15.1 million, U.S. Frozen $23.4 million, Europe $63.7 million, Asia/Pacific $46.3 million, Other Operating Entities $(11.3) million and Non-Operating $9.4 million. Excludes restructuring and implementation costs of the Streamline initiative as follows: Heinz North America $16.3 million, Europe $65.7 million, Asia/Pacific $5.2 million and Non-Operating $14.2 million. Excludes the loss on the sale of The All American Gourmet in U.S. Frozen of $94.6 million. Excludes acquisition costs in Heinz North America of $18.5 million.

(c) Excludes property, plant and equipment obtained through acquisitions.

(d) Includes identifiable assets not directly attributable to operating segments.

The Company's revenues are generated via the sale of products in the following categories:

	Fiscal year ended		
	April 30, 2003 (52 Weeks)	*May 1, 2002 (52 Weeks)*	*May 2, 2001 (52 Weeks)*
		(Unaudited) (Dollars in thousands)	
Ketchup, condiments and sauces	$2,766,134	$2,678,807	$2,454,130
Frozen foods	1,972,200	1,999,501	1,739,283
Tuna	520,925	470,174	445,396
Soups, beans and pasta meals	1,176,052	974,370	915,892
Infant foods	871,801	793,281	814,199
Other	929,724	697,903	618,798
Total	$8,236,836	$7,614,036	$6,987,698

The Company has significant sales and long-lived assets in the following geographic areas. Sales are based on the location in which the sale originated. Long-lived assets include property, plant and equipment, goodwill, trademarks and other intangibles, net of related depreciation and amortization.

	Fiscal year ended					
	Net External Sales			*Long-Lived Assets**		
	April 30, 2003 (52 Weeks)	*May 1, 2002 (52 Weeks)*	*May 2, 2001 (52 Weeks)*	*April 30, 2003*	*May 1, 2002*	*May 2, 2001*
			(Dollars in thousands)			
United States	$3,114,105	$3,049,215	$2,776,652	$1,830,059	$2,776,227	$2,508,105
United Kingdom	1,574,258	1,408,642	1,353,970	660,752	434,405	524,390
Other	3,548,473	3,156,179	2,857,076	2,061,404	2,529,517	1,901,777
Total	$8,236,836	$7,614,036	$6,987,698	$4,552,215	$5,740,149	$4,934,272

* Amounts include discontinued operations.

16. Quarterly Results

	2003				
	First (13 Weeks)	*Second (13 Weeks)*	*Third (13 Weeks)*	*Fourth (13 Weeks)*	*Total (52 Weeks)*
			(Unaudited) *(Dollars in thousands, except per share amounts)*		
Sales	$1,839,314	$2,099,170	$2,105,003	$2,193,349	$8,236,836
Gross profit	672,679	750,979	762,045	746,771	2,932,474
Income from continuing operations	76,560	168,537	129,849	102,601	477,547
Per Share Amounts:					
Income from continuing operations—diluted	$ 0.22	$ 0.48	$ 0.37	$ 0.29	$ 1.35
Income from continuing operations—basic	0.22	0.48	0.37	0.29	1.36
Cash dividends	0.4050	0.4050	0.4050	0.2700	1.4850

	2002				
	First (13 Weeks)	*Second (13 Weeks)*	*Third (13 Weeks)*	*Fourth (13 Weeks)*	*Total (52 Weeks)*
			(Unaudited) *(Dollars in thousands, except per share amounts)*		
Sales	$1,675,541	$1,939,582	$1,928,746	$2,070,167	$7,614,036
Gross profit	633,245	712,809	669,265	740,630	2,755,949
Income from continuing operations	166,566	167,509	161,235	179,871	675,181
Per Share Amounts:					
Income from continuing operations—diluted	$ 0.47	$ 0.47	$ 0.46	$ 0.51	$ 1.91
Income from continuing operations—basic	0.48	0.48	0.46	0.51	1.93
Cash dividends	0.3925	0.4050	0.4050	0.4050	1.6075

The first quarter of Fiscal 2003 includes costs related to the Del Monte transaction and costs to reduce overhead of the remaining businesses of $11.6 million after tax. The first quarter of Fiscal 2002 includes restructuring and implementation costs related to the Streamline initiative of $6.1 million after tax.

The second quarter of Fiscal 2003 includes costs related to the Del Monte transaction and costs to reduce overhead of the remaining businesses of $6.9 million after tax.

The third quarter of Fiscal 2003 includes costs related to the Del Monte transaction and costs to reduce overhead of the remaining businesses of $51.5 million after tax and the loss on the disposal of a non-strategic business of $10.1 million after tax.

The fourth quarter of Fiscal 2003 includes costs related to the Del Monte transaction and costs to reduce overhead of the remaining businesses of $43.0 million after tax and losses on the exit of non-strategic businesses of $39.2 million after tax. The fourth quarter of Fiscal 2002 includes a net charge of $2.8 million after tax related to the Streamline initiative.

17. Commitments and Contingencies

Legal Matters:

Certain suits and claims have been filed against the Company and have not been finally adjudicated. These suits and claims when finally concluded and determined, in the opinion of management, based upon the information that it presently possesses, will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

Lease Commitments:

Operating lease rentals for warehouse, production and office facilities and equipment amounted to approximately $95.2 million in 2003, $91.3 million in 2002 and $86.5 million in 2001. Future lease payments for non-cancellable operating leases as of April 30, 2003 totaled $507.7 million (2004-$67.5 million, 2005-$53.6 million, 2006-$42.6 million, 2007-$155.5 million, 2008-$18.1 million and thereafter-$170.4 million).

No significant credit guarantees existed between the Company and third parties as of April 30, 2003.

18. Advertising Costs

Advertising costs for fiscal years 2003, 2002 and 2001 were $294.2 million, $285.9 million and $244.8 million, respectively, and are recorded either as a reduction of revenue or as a component of SG&A.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

There is nothing to be reported under this item.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company's management, with participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company believes that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Changes in Internal Controls over Financial Reporting

No significant change in the Company's internal control over financial reporting occurred during the fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Information relating to the Directors of the Company is set forth under the captions "Election of Directors" and "Additional Information—Section 16 Beneficial Ownership Reporting Compliance" in the Company's definitive Proxy Statement in connection with its Annual Meeting of Shareholders to be held September 12, 2003. Such information is incorporated herein by reference. Information relating to the executive officers of the Company is set forth under the caption "Executive Officers of the Registrant" in Part I above.

Item 11. Executive Compensation.

Information relating to executive compensation is set forth under the caption "Executive Compensation" in the Company's definitive Proxy Statement in connection with its Annual Meeting of Shareholders to be held September 12, 2003. Such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The number of shares to be issued upon exercise and the number of shares remaining available for future issuance under the Company's equity compensation plans at April 30, 2003 were as follows.

Equity Compensation Plan Information

	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	*Weighted-average exercise price of outstanding options, warrants and rights*	*Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))*
Equity Compensation plans approved by stockholders	38,683,458	$35.94	21,563,132
Equity Compensation plans not approved by stockholders(1)(2)	28,990	N/A(3)	N/A(1)(4)
Total	38,712,448	$35.94	21,563,132

(1) The H. J. Heinz Company Restricted Stock Recognition Plan for Salaried Employees (the "Restricted Stock Plan") is designed to provide recognition and reward in the form of awards of restricted stock to employees who have a history of outstanding accomplishment and who, because of their experience and skills, are expected to continue to contribute significantly to the success of the Company. Eligible employees are those full-time salaried employees not participating in the shareholder-approved H. J. Heinz Company Incentive Compensation Plan in effect as of May 1, 2002, and who have not been awarded an option to purchase Company Common Stock. The Company has ceased issuing shares from this Restricted Stock Plan, and it is the Company's intention to terminate the Restricted Stock Plan once all restrictions on previously issued shares are lifted. Future awards of this type will be made under the Fiscal Year 2003 Stock Incentive Plan.

(2) Historically, the Company has awarded 300 shares to non-employee directors on an annual basis as discretionary grants in lieu of cash compensation, and an additional 400 shares were awarded to each non-employee director in January, 2003 in the same manner. These grants are not awarded under any equity compensation plan and are in addition to 300 shares awarded annually to non-employee directors under the H. J. Heinz Company Stock Compensation Plan for Non-Employee Directors, which was approved by the Company's shareholders.

(3) The grants made under the Restricted Stock Plan are restricted shares of Common Stock, and therefore there is no exercise price.

(4) The maximum number of shares of Common Stock that the Chief Executive Officer may grant under the Restricted Stock Plan has been established annually by the Executive Committee of the Board of Directors; provided, however, that such number of shares shall not exceed in any plan year 1% of all then outstanding shares of Common Stock.

Information relating to the ownership of equity securities of the Company by certain beneficial owners and management is set forth under the caption "Security Ownership of Management" in the Company's definitive Proxy Statement in connection with its Annual Meeting of Shareholders to be held September 12, 2003. Such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

Information relating to certain relationships with a beneficial shareholder and certain related transactions is set forth under the caption "Certain Business Relationships" in the Company's definitive Proxy Statement in connection with its Annual Meeting of Shareholders to be held September 12, 2003. Such information is incorporated herein by reference.

Item 14. Principal Auditor Fees and Services

Information relating to the principal auditor's fees and services is set forth under the caption "Relationship With Independent Auditors" in the Company's definitive Proxy Statement in connection with its Annual Meeting of Shareholders to be held September 12, 2003. Such information is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a)(1) The following financial statements and report are filed as part of this report under Item 8—"Financial Statements and Supplementary Data":

Consolidated Balance Sheets as of April 30, 2003 and May 1, 2002
Consolidated Statements of Income for the fiscal years ended April 30, 2003, May 1, 2002 and May 2, 2001
Consolidated Statements of Shareholders' Equity for the fiscal years ended April 30, 2003, May 1, 2002 and May 2, 2001
Consolidated Statements of Cash Flows for the fiscal years ended April 30, 2003, May 1, 2002 and May 2, 2001
Notes to Consolidated Financial Statements
Report of Independent Auditors of PricewaterhouseCoopers LLP dated June 11, 2003, on the Company's consolidated financial statements for the fiscal years ended April 30, 2003, May 1, 2002 and May 2, 2001

(2) The following report and schedule is filed herewith as a part hereof:

Report of Independent Auditors of PricewaterhouseCoopers LLP dated June 11, 2003 on the Company's consolidated financial statement schedule filed as a part hereof for the fiscal years ended April 30, 2003, May 1, 2002 and May 2, 2001

Consent of Independent Auditors of PricewaterhouseCoopers LLP dated July 23, 2003 filed as a part hereof

Schedule II (Valuation and Qualifying Accounts and Reserves) for the three fiscal years ended April 30, 2003, May 1, 2002 and May 2, 2001

All other schedules are omitted because they are not applicable or the required information is included herein or is shown in the consolidated financial statements or notes thereto filed as part of this report incorporated herein by reference.

(3) Exhibits required to be filed by Item 601 of Regulation S-K are listed below. Documents not designated as being incorporated herein by reference are filed herewith. The paragraph numbers correspond to the exhibit numbers designated in Item 601 of Regulation S-K.

3(i) The Company's Articles of Amendment dated July 13, 1994, amending and restating the Company's amended and restated Articles of Incorporation in their entirety, are incorporated herein by reference to Exhibit 3(i) to the Company's Annual Report on Form 10-K for the fiscal year ended April 27, 1994.

3(ii) The Company's By-Laws, as amended effective June 12, 2002 are incorporated herein by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the three months ended July 31, 2002.

4. Except as set forth below, there are no instruments with respect to long-term debt of the Company that involve indebtedness or securities authorized thereunder exceeding 10 percent of the total assets of the Company on a consolidated basis. The Company agrees to file a copy of any instrument or agreement defining the rights of holders of long-term debt of the Company upon request of the Securities and Exchange Commission.

(a) The Indenture between the Company and Bank One, National Association dated November 6, 2000, is incorporated herein by reference to Exhibit 4 to the Company's Quarterly Report on Form 10-Q for the nine months ended January 31, 2001.

(i) The Supplement dated May 3, 2001 to the Indenture between the Company and Bank One, National Association dated as of November 6, 2000 is incorporated herein by reference to Exhibit 4(b)(i) of the Company's Form 10-K for the fiscal year ended May 2, 2001.

(b) The Indenture among the Company, H. J. Heinz Finance Company, and Bank One, National Association dated as of July 6, 2001 relating to the H. J. Heinz Finance Company's $750,000,000 6.625% Guaranteed Notes due 2011, $700,000,000 6.00% Guaranteed Notes due 2012 and $550,000,000 6.75% Guaranteed Notes due 2032 is incorporated herein by reference to Exhibit 4 of the Company's Annual Report on Form 10-K for the fiscal year ended May 1, 2002.

(c) The Certificate of Designations, Preferences and Rights of Voting Cumulative Preferred Stock, Series A of H. J. Heinz Finance Company is incorporated herein by reference to Exhibit 4 of the Company's Quarterly Report on Form 10-Q for the three months ended August 1, 2001.

10(a) Management contracts and compensatory plans:

(i) 1986 Deferred Compensation Program for H. J. Heinz Company and affiliated companies, as amended and restated in its entirety effective December 6, 1995, is incorporated herein by reference to Exhibit 10(c)(i) to the Company's Annual Report on Form 10-K for the fiscal year ended May 1, 1995.

(ii) H. J. Heinz Company 1984 Stock Option Plan, as amended, is incorporated herein by reference to Exhibit 10(n) to the Company's Annual Report on Form 10-K for the fiscal year ended May 2, 1990.

(iii) H. J. Heinz Company 1987 Stock Option Plan, as amended, is incorporated herein by reference to Exhibit 10(o) to the Company's Annual Report on Form 10-K for the fiscal year ended May 2, 1990.

(iv) H. J. Heinz Company 1990 Stock Option Plan is incorporated herein by reference to Appendix A to the Company's Proxy Statement dated August 3, 1990.

(v) H. J. Heinz Company 1994 Stock Option Plan is incorporated herein by reference to Appendix A to the Company's Proxy Statement dated August 5, 1994.

(vi) H. J. Heinz Company Supplemental Executive Retirement Plan, as amended, is incorporated herein by reference to Exhibit 10(c)(ix) to the Company's Annual Report on Form 10-K for the fiscal year ended April 28, 1993.

(vii) H. J. Heinz Company Executive Deferred Compensation Plan (as amended and restated on December 27, 2001) is incorporated by reference to Exhibit 10(a)(vii) of the Company's Annual Report on Form 10-K for the fiscal year ended May 1, 2002.

(viii) H. J. Heinz Company Incentive Compensation Plan is incorporated herein by reference to Appendix B to the Company's Proxy Statement dated August 5, 1994.

(ix) H. J. Heinz Company Stock Compensation Plan for Non-Employee Directors is incorporated herein by reference to Appendix A to the Company's Proxy Statement dated August 3, 1995.

(x) H. J. Heinz Company 1996 Stock Option Plan is incorporated herein by reference to Appendix A to the Company's Proxy Statement dated August 2, 1996.

(xi) H. J. Heinz Company Deferred Compensation Plan for Directors is incorporated herein by reference to Exhibit 10(a)(xiii) to the Company's Annual Report on Form 10-K for the fiscal year ended April 29, 1998.

(xii) H. J. Heinz Company Global Stock Purchase Plan is incorporated herein by reference to Appendix A to the Company's Proxy Statement dated August 3, 1999.

(xiii) Form of Severance Protection Agreement is incorporated herein by reference to Exhibit 10(a)(xiv) to the Company's Annual Report on Form 10-K for the fiscal year ended May 3, 2000.

(xiv) H. J. Heinz Company 2000 Stock Option Plan is incorporated herein by reference to Appendix A to the Company's Proxy Statement dated August 4, 2000.

(xv) H. J. Heinz Company Executive Estate Life Insurance Program is incorporated herein by reference to Exhibit 10(a)(xv) to the Company's Annual Report on Form 10-K for the fiscal year ended May 1, 2002.

(xvi) H. J. Heinz Company Restricted Stock Recognition Plan for Salaried Employees is incorporated herein by reference to Exhibit 10(a)(xvi) to the Company's Annual Report on Form 10-K for the fiscal year ended May 1, 2002.

(xvii) Retirement Agreement for Mr. Williams is incorporated by reference to Exhibit 10(a)(xvii) of the Company's Annual Report on Form 10-K for the fiscal year ended May 1, 2002.

(xviii) Retirement Agreement for Mr. Wamhoff is incorporated by reference to Exhibit 10(a)(xviii) of the Company's Annual Report on Form 10-K for the fiscal year ended May 1, 2002.

(xix) H. J. Heinz Company Fiscal Year 2003 Stock Incentive Plan is incorporated by reference to the Company's Proxy Statement dated August 2, 2002.

(xx) H. J. Heinz Company Senior Executive Incentive Compensation Plan is incorporated by reference to the Company's Proxy Statement dated August 2, 2002.

(xxi) Form of First Amendment to Severance Protection Agreement.

12. Computation of Ratios of Earnings to Fixed Charges.

21. Subsidiaries of the Registrant.

23. The following Exhibit is filed by incorporation by reference to Item 15(a)(2) of this Report:

(a) Consent of PricewaterhouseCoopers LLP.

24. Powers-of-attorney of the Company's directors.

31. Rule 13a-14(a)/15d-14(a) Certifications.

99(a) Certification by the Chief Executive Officer Relating to the Annual Report Containing Financial Statements.

99(b) Certification by the Chief Financial Officer Relating to the Annual Report Containing Financial Statements.

Copies of the exhibits listed above will be furnished upon request to holders or beneficial holders of any class of the Company's stock, subject to payment in advance of the cost of reproducing the exhibits requested.

(b) During the last fiscal quarter of the period covered by this Report, the Company filed a Current Report on Form 8-K dated February 17, 2003 relating to its press release regarding the Company's growth strategy as presented to the Consumer Analyst Group of New York conference on February 17, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on July 24, 2003.

H. J. HEINZ COMPANY
(Registrant)

By: /s/ ARTHUR B. WINKLEBLACK
Arthur B. Winkleblack
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, on July 24, 2003.

Signature	*Capacity*
/s/ WILLIAM R. JOHNSON **William R. Johnson**	Chairman, President and Chief Executive Officer (Principal Executive Officer)
/s/ ARTHUR B. WINKLEBLACK **Arthur B. Winkleblack**	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ EDWARD J. MCMENAMIN **Edward J. McMenamin**	Vice President-Finance (Principal Accounting Officer)

William R. Johnson	Director	By /s/ ARTHUR B. WINKLEBLACK **Arthur B. Winkleblack** Attorney-in-Fact
Mary C. Choksi	Director	
Leonard S. Coleman, Jr.	Director	
Peter H. Coors	Director	
Edith E. Holiday	Director	
Dean R. O'Hare	Director	
Thomas J. Usher	Director	
James M. Zimmerman	Director	

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Exhibit 31

I, William R. Johnson, Chairman, President and Chief Executive Officer of H. J. Heinz Company certify that:

1. I have reviewed this annual report on Form 10-K of H. J. Heinz Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures;

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons fulfilling the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 24, 2003

By: /s/ WILLIAM R. JOHNSON

Name: William R. Johnson
Title: Chairman, President and
Chief Executive Officer

Exhibit 31

I, Arthur B. Winkleblack, Executive Vice President and Chief Financial Officer of H. J. Heinz Company certify that:

1. I have reviewed this annual report on Form 10-K of H. J. Heinz Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures;

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of such internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons fulfilling the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 24, 2003

By: /s/ ARTHUR B. WINKLEBLACK

Name: Arthur B. Winkleblack
Title: Executive Vice President and
Chief Financial Officer

DIRECTORS AND OFFICERS*
H. J. Heinz Company

Directors

William R. Johnson
Chairman, President and Chief Executive Officer
Director since 1993. (1)

Charles E. Bunch
President and Chief Operating Officer, PPG Industries, Pittsburgh, Pennsylvania.
Director since 2003.

Mary C. Choksi
Managing Director, Strategic Investment Partners, Inc. and Emerging Markets Investors Corporation, Arlington, Virginia.
Director since 1998. (1,4,5)

Leonard S. Coleman, Jr.
Senior Advisor — Major League Baseball, New York, New York.
Director since 1998. (3,4,5)

Peter H. Coors
Chairman, Coors Brewing Company and Chairman, Adolph Coors Company, Golden, Colorado.
Director since 2001. (2,5)

Edith E. Holiday
Attorney and Director, Various Corporations.
Director since 1994. (1,3,4,5)

Candace Kendle
Chairman and Chief Executive Officer, Kendle International Inc., Cincinnati, Ohio.
Director since 1998. (2,3)

Dean R. O'Hare
Retired Chairman, The Chubb Corporation, Warren, New Jersey.
Director since 2000. (2,4,5)

Lynn C. Swann
President, Swann, Inc. and Chairman, President's Council on Physical Fitness and Sports. Pittsburgh, Pennsylvania.
Director since 2003.

Thomas J. Usher
Chairman, Board of Directors and Chief Executive Officer, United States Steel Corporation, Pittsburgh, Pennsylvania.
Director since 2000. (1,2,3,5)

James M. Zimmerman
Chairman Federated Department Stores, Inc., Cincinnati, Ohio.
Director since 1998. (1,2,3)

Committees of the Board

(1) Executive Committee
(2) Management Development and Compensation Committee
(3) Corporate Governance Committee
(4) Audit Committee
(5) Public Issues and Social Responsibility Committee

Officers

William R. Johnson
Chairman, President and Chief Executive Officer

Neil Harrison
Executive Vice President; President and Chief Executive Officer — Heinz North America

Joseph Jimenez
Executive Vice President; President and Chief Executive Officer — Heinz Europe

Arthur B. Winkleblack
Executive Vice President and Chief Financial Officer

Michael J. Bertasso
Senior Vice President; President — Asia/Pacific

Michael D. Milone
Senior Vice President — Global Category Development

D. Edward I. Smyth
Chief Administrative Officer and Senior Vice President — Corporate and Government Affairs

Laura Stein
Senior Vice President and General Counsel

Lani L. Beach
Vice President — Chief Human Resources Officer

Rene D. Biedzinski
Corporate Secretary

Theodore N. Bobby
Vice President — Legal Affairs

George F. Chappelle
Vice President and Chief Information Officer

John C. Crowe
Vice President — Taxes

Leonard A. Cullo
Treasurer

F. Kerr Dow
Vice President — Nutrition & Technical Affairs and Chief Scientist

Kenneth C. Keller
Vice President — Chief Growth Officer

Edward J. McMenamin
Vice President — Finance

Tod A. Nestor
Vice President — Corporate Planning

Diane B. Owen
Vice President — Corporate Audit

Mitchell A. Ring
Vice President — Business Development

John Runkel
Vice President — Investor Relations

Kenneth S. Smialek
Vice President and Chief Cost Officer

* As of July 2003.

ELEVEN-YEAR SUMMARY OF OPERATIONS AND OTHER RELATED DATA

H. J. Heinz Company and Subsidiaries

(Dollars in thousands, except per share amounts)	*2003*	*2002*	*2001*	*2000(b)*
SUMMARY OF OPERATIONS:				
Sales(a)	8,236,836	7,614,036	6,987,698	6,892,807
Cost of products sold(a)	5,304,362	4,858,087	4,407,267	4,356,965
Interest expense(a)	223,532	230,611	262,488	206,996
Provision for income taxes(a)	313,372	375,339	190,495	508,546
Income before cumulative effect of accounting change(a)	555,359	675,181	563,931	780,145
Cumulative effect of SFAS No. 142 adoption	(77,812)	—	—	—
Cumulative effect of SAB No. 101 and FAS No. 133 adoptions(a)	—	—	(15,281)	—
Cumulative effect of SFAS No. 106 adoption	—	—	—	—
Net income(a)	477,547	675,181	548,650	780,145
Income per share before cumulative effect of accounting change — diluted(a)	1.57	1.91	1.61	2.17
Cumulative effect of SFAS No. 142 adoption	(0.22)	—	—	—
Cumulative effect of SAB No. 101 and FAS No. 133 adoptions(a)	—	—	(0.05)	—
Cumulative effect of SFAS No. 106 adoption	—	—	—	—
Net income per share — diluted(a)	1.35	1.91	1.56	2.17
Net income per share — basic(a)	1.36	1.93	1.58	2.20
OTHER RELATED DATA:				
Dividends paid:				
Common	521,592	562,547	537,290	513,756
per share	1.4850	1.6075	1.545	1.445
Preferred	19	20	22	26
Average common shares outstanding — diluted	354,144,291	352,871,918	351,041,321	360,095,455
Average common shares outstanding — basic	351,249,704	349,920,983	347,758,281	355,272,696
Number of employees	38,900	46,500	45,800	46,900
Capital expenditures(a)	153,969	193,854	358,930	394,919
Depreciation and amortization(a)	214,762	242,848	219,577	214,766
Total assets	9,224,751	10,278,354	9,035,150	8,850,657
Total debt	4,930,929	5,345,613	4,885,687	4,112,401
Shareholders' equity	1,199,157	1,718,616	1,373,727	1,595,856
Pretax return on average invested capital(a)	16.1%	18.8%	16.6%	27.0%
Return on average shareholders' equity before cumulative effect of accounting change(a)	37.1%	43.5%	37.8%	45.9%
Book value per common share	3.41	4.90	3.94	4.59
Price range of common stock:				
High	43.19	46.96	47.63	54.00
Low	29.05	38.12	35.44	30.81

(a) Amounts for 2003, 2002, 2001, and 2000 have been adjusted to reflect discontinued operations and the adoption of the EITF guidelines relating to the classification of consideration from a vendor to a purchaser of a vendor's products, including both customers and consumers. Amounts for fiscal years 1999 and earlier have not been adjusted to reflect discontinued operations or the EITF reclassifications as it is impracticable to do so.

(b) Fiscal year consisted of 53 weeks.

The 2003 results include, on a pretax basis, charges of $227.0 million for Del Monte transaction costs, overhead reduction costs and losses on exiting non-strategic businesses.

The 2002 results include, on a pretax basis, net restructuring and implementation costs of $12.4 million for the Streamline initiative.

The 2001 results include, on a pretax basis, restructuring and implementation costs of $101.4 million for the Streamline initiative, net restructuring and implementation costs of $146.5 million for Operation Excel, a benefit of $93.2 million from tax planning and new tax legislation in Italy, a loss of $94.6 million on the sale of The All American Gourmet business, company acquisition costs of $18.5 million, a loss of $5.6 million which represents the Company's equity loss associated with The Hain Celestial Group's fourth quarter results which included charges for its merger with Celestial Seasonings and the after-tax impact of adopting SAB No. 101 and SFAS No. 133 of $15.3 million.

The 2000 results include, on a pretax basis, net restructuring and implementation costs of $284.0 million for Operation Excel, a contribution of $30.0 million to the H. J. Heinz Company Foundation, a gain of $464.6 million on the sale of the *Weight Watchers* classroom business and a gain of $18.2 million on the sale of an office building in the U.K.

1999	*1998*	*1997*	*1996*	*1995(b)*	*1994*	*1993*
9,299,610	9,209,284	9,357,007	9,112,265	8,086,794	7,046,738	7,103,374
5,944,867	5,711,213	6,385,091	5,775,357	5,119,597	4,381,745	4,530,563
258,813	258,616	274,746	277,411	210,585	149,243	146,491
360,790	453,415	177,193	364,342	346,982	319,442	185,838
474,341	801,566	301,871	659,319	591,025	602,944	529,943
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	(133,630)
474,341	801,566	301,871	659,319	591,025	602,944	396,313
1.29	2.15	0.81	1.75	1.58	1.56	1.36
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	(0.34)
1.29	2.15	0.81	1.75	1.58	1.56	1.02
1.31	2.19	0.82	1.79	1.61	1.59	1.04
484,817	452,566	416,923	381,871	345,358	325,887	297,009
1.3425	1.235	1.135	1.035	0.94	0.86	0.78
30	37	43	56	64	71	78
367,830,419	372,952,851	374,043,705	377,606,606	373,317,480	385,778,757	390,374,298
361,203,539	365,982,290	367,470,850	368,799,645	367,685,810	378,483,701	380,728,905
38,600	40,500	44,700	43,300	42,200	35,700	37,700
316,723	373,754	377,457	334,787	341,788	275,052	430,713
302,212	313,622	340,490	343,809	315,267	259,809	234,935
8,053,634	8,023,421	8,437,787	8,623,691	8,247,188	6,381,146	6,821,321
3,376,413	3,107,903	3,447,435	3,363,828	3,401,076	2,166,703	2,613,736
1,803,004	2,216,516	2,440,421	2,706,757	2,472,869	2,338,551	2,320,996
20.4%	26.4%	11.9%	21.0%	21.4%	21.9%	18.1%
23.6%	34.4%	11.7%	25.5%	24.6%	25.9%	22.0%
5.02	6.10	6.64	7.34	6.76	6.26	6.08
61.75	59.94	44.88	36.63	28.63	26.63	30.38
44.56	41.13	29.75	27.63	21.13	20.50	23.50

The 1999 results include, on a pretax basis, restructuring and implementation costs of $552.8 million for Operation Excel and costs of $22.3 million related to the implementation of Project Millennia, offset by the reversal of unutilized Project Millennia accruals for severance and exit costs of $25.7 million and a gain of $5.7 million on the sale of the bakery products unit.

The 1998 results include costs of $84.1 million pretax related to the implementation of Project Millennia, offset by the gain on the sale of the Ore-Ida frozen foodservice business of $96.6 million pretax.

The 1997 results include a pretax charge for Project Millennia restructuring and implementation costs of $647.2 million, offset by capital gains of $85.3 million from the sale of non-strategic assets in New Zealand and the U.K. The 1994 results include a pretax gain of $127.0 million relating to the divestiture of the confectionary and specialty rice businesses. The 1993 results include a pretax restructuring charge of $192.3 million. The 1992 results include a pretax gain of $221.5 million for the sale of The Hubinger Company, a pretax restructuring charge of $88.3 million and a pretax pension curtailment gain of $38.8 million.

WORLD LOCATIONS*
H. J. Heinz Company and Subsidiaries

World Headquarters

600 Grant Street, Pittsburgh, Pennsylvania.

The Americas

☐ **H. J. Heinz Company, L.P.** Established 2000. Pittsburgh, Pennsylvania.
Divisions:
Alden Merrell
Chef Francisco
Delimex
Escalon Premier Brands
Heinz Frozen Food
Heinz North America
Heinz North America Foodservice
International DiverseFoods
Portion Pac
Quality Chef Foods
Todds
Truesoups

☐ **H. J. Heinz Finance Company.** Established 1983. Pittsburgh, Pennsylvania.
☐ **Trademark Management Company.** Established 2001. Boise, Idaho.
☐ **ProMark Brands, Inc.** Established 2002. Boise, Idaho.
☐ **Heinz Management L.L.C.** Established 1985. Pittsburgh, Pennsylvania.
☐ **Royal American Foods, Inc.** (Dianne's Gourmet Desserts). Acquired 2002. Le Center, Minnesota.
☐ **HJH Overseas L.L.C.** Established 2002. Pittsburgh, Pennsylvania.

Heinz Mexico, S.A. de C.V. Inc. Established 1999. Mexico City, Mexico.
Delimex de Mexico, S.A. de C.V. Acquired 2002. Mexico City, Mexico.
H. J. Heinz Company of Canada Ltd. Established 1909. North York, Ontario, Canada.

Alimentos Heinz C.A. Established 1959. Caracas, Venezuela.
Nutripet Andina C.A. Established 2001. Caracas, Venezuela.
Alimentos Heinz de Costa Rica. Established 2000. San José, Costa Rica.
☐ **Distribuidora Banquete, S.A.** Acquired 2001. San José, Costa Rica
Alimentos Pilar S.A. Established 1986. Buenos Aires, Argentina.

Europe, Middle East and Africa

U.K. and Ireland

☐ **H. J. Heinz Company Limited,** Established 1917. Hayes Park, Middlesex, England.
☐ **John West Foods Limited.** Acquired 1997. Liverpool, England.
☐ **H. J. Heinz Frozen & Chilled Foods Limited.** Acquired 1999. Hayes Park, Middlesex, England.
☐ **H. J. Heinz Company (Ireland) Limited.** Established 1996. Dublin, Ireland.
☐ **H. J. Heinz Frozen & Chilled Foods Limited.** Established 1993. Dublin, Ireland.

Western Europe

☐ **Ets. Paul Paulet S.A.** Acquired 1981. Douarnenez, France.
☐ **H. J. Heinz S.A.R.L.** Established 1979. Paris, France.
☐ **Heinz Iberica S.A.** Established 1987. Madrid, Spain.
☐ **IDAL (Industrias de Alimentação, Lda).** Acquired 1965. Lisbon, Portugal.

Southern and Eastern Europe

☐ **Heinz Italia S.r.l.** Acquired 1963. Milan, Italy.
☐ **COPAIS Food and Beverage Company, S.A.** Acquired 1990. Athens, Greece.
☐ **Heinz Polska Sp. Z.o.o.** Established 1994. Warsaw, Poland.
☐ **Pudliszki, S.A.** Acquired 1997. Pudliszki, Poland.
☐ **Heinz CIS.** Established 1994. Moscow, Russia.
☐ **Heinz Georgievsk.** Established 1994. Georgievsk, Russia.

Northern Europe

☐ **H. J. Heinz Holding B.V.** Acquired 1958. Elst, Gelderland, The Netherlands. (Includes the former CSM Food Division. Acquired 2001. The Netherlands.)
☐ **H. J. Heinz Belgium S.A.** Established 1984. Brussels, Belgium.
☐ **H. J. Heinz GmbH.** Established 1970. Düsseldorf, Germany.
☐ **Sonnen Bassermann.** Acquired 1998. Seesen, Germany.

European Foodservice

☐ **Heinz Single Service Limited.** Acquired 1995. Hayes Park, Middlesex, England.
☐ **AIAL (Arimpex Industrie Alimentari S.r.l.).** Acquired 1992. Rovereto, Italy.
☐ **Comexo S.A.** Acquired 2001. Chateaurenard, France.

Middle East and India

☐ **Cairo Food Industries SAE.** Established 1992. Cairo, Egypt.
☐ **Heinz India (Private) Limited.** Acquired 1994. Mumbai, India.
☐ **Heinz Israel Limited.** Established 1999. Tel Aviv, Israel.
☐ **Star-Kist Food D'Or Limited.** Acquired 2000. Haifa, Israel.

* As of July 2003

North and Central Africa

- □ **Heinz Africa and Middle East FZE.** Established 2003. Dubai, United Arab Emirates.
- □ **Indian Ocean Tuna Limited.** Acquired 1995. Victoria, Republic of Seychelles.
- □ **Pioneer Food Cannery Limited.** Acquired 1995. Tema, Ghana.

South Africa

- □ **H. J. Heinz (Botswana) (Proprietary) Ltd.** Formed 1988. Gaborone, Botswana.
- □ **Kgalagadi Soap Industries (Pty) Ltd.** Acquired 1988. Gaborone, Botswana.
- □ **Refined Oil Products (Pty) Ltd.** Formed 1987. Gaborone, Botswana.
- □ **Olivine Industries (Private) Limited.** Acquired 1982. Harare, Zimbabwe.
- □ **Chegutu Canners (Pvt) Ltd.** Established 1992. Chegutu, Zimbabwe.
- □ **Heinz South Africa (Pty) Ltd.** Established 1995. Johannesburg, South Africa.
- □ **Heinz Wellington's (Pty) Ltd.** Acquired 1997. Wellington, South Africa.

Pacific Rim and Asia

Heinz Wattie's Australasia. Established 1998.

- □ **H. J. Heinz Company Australia Ltd.** Established 1935. Hawthorn East, Victoria, Australia.
- □ **Heinz Wattie's Limited.** Acquired 1992. Auckland, New Zealand.
- □ **Tegel Foods Limited.** Acquired 1992. Newmarket, Auckland, New Zealand.

Heinz Japan Ltd. Established 1961. Tokyo, Japan.

Heinz-UFE Ltd. Established 1984. Guangzhou, People's Republic of China.

Heinz Cosco. Established 1999. Qingdao, People's Republic of China.

Heinz (China) Investment Company. Established 2002. Hong Kong S.A.R., People's Republic of China.

Heinz-Meiweiyuan (Guangzhou) Food Co., Ltd. Established 2002. Guangzhou, People's Republic of China.

Heinz Korea Limited. Established 1986. Inchon, South Korea.

Heinz Win Chance Ltd. Established 1987. Bangkok, Thailand.

PT Heinz ABC Indonesia. Established 1999. Jakarta, Indonesia.

PT Heinz Suprama. Acquired 1997. Surabaya, Indonesia.

Heinz UFC Philippines. Established 2000. Manila, The Philippines.

Heinz Hong Kong Limited. Established 1997. Wanchai, Hong Kong S.A.R., People's Republic of China.

Heinz Singapore Pte, Ltd. Established 2000. Republic of Singapore.

Heinz Sinsin Pte, Ltd. Acquired 2001. Republic of Singapore.

CORPORATE DATA

Heinz: A Definition H. J. Heinz Company is one of the world's leading marketers of branded foods to retail and foodservice channels. Heinz has number-one or number-two branded businesses in more than 50 world markets.

Among the Company's famous brands are *Heinz* (a $2.7 billion global mega-brand), *Ore-Ida, Smart Ones, Classico, Wyler's, Delimex, Bagel Bites, Wattie's, Farley's, Plasmon, BioDieterba, John West, Petit Navire, Greenseas, UFC, Orlando, ABC, Honig, HAK, De Ruijter, Olivine and Pudliszki.* Heinz also uses the famous brands *Weight Watchers, Boston Market, T.G.I. Friday's, Jack Daniel's* and *Linda McCartney* under license.

Heinz provides employment for approximately 38,900 people full time, plus thousands of others on a part-time basis and during seasonal peaks.

Annual Meeting The annual meeting of the Company's shareholders will be held at 11 a.m. on Friday, September 12, 2003, in Pittsburgh at the Pittsburgh Hilton. The meeting will be Webcast live at www.heinz.com.

Copies of This Publication and Others Mentioned in This Report are available from the Corporate Affairs Department at the Heinz World Headquarters address or by calling (412) 456-6000.

Form 10-K The Company submits an annual report to the Securities and Exchange Commission on Form 10-K. Copies of this Form 10-K are available from the Corporate Affairs Department.

Investor Information Securities analysts and investors seeking additional information about the Company should contact Jack Runkel, Vice President-Investor Relations, at (412) 456-6034.

Equal Employment Opportunity H. J. Heinz Company hires, trains, promotes, compensates and makes all other employment decisions without regard to race, color, sex, age, religion, national origin, disability or other protected conditions or characteristics. It has affirmative action programs in place at all domestic locations to ensure equal opportunity for every employee.

The H. J. Heinz Company Equal Opportunity Review is available from the Corporate Affairs Department.

Environmental Policy H. J. Heinz Company is committed to protecting the environment. Each affiliate has established programs to review its environmental impact, to safeguard the environment and to train employees.

The H. J. Heinz Company Environmental, Health & Safety Report is available from the Corporate Affairs Department and is accessible on www.heinz.com.

Corporate Data Transfer Agent, Registrar and Disbursing Agent (for inquiries and changes in shareholder accounts or to arrange for the direct deposit of dividends): Mellon Investor Services LLC, 85 Challenger Road, Overpeck Centre, Ridgefield Park, New Jersey 07660. (800) 253-3399 (within U.S.A.) or (201) 329-8660 or www.melloninvestor.com.

Auditors: PricewaterhouseCoopers LLP,
600 Grant Street, Pittsburgh, Pennsylvania 15219

Stock Listings:
New York Stock Exchange, Inc.
Ticker Symbols: Common-HNZ; Third Cumulative Preferred-HNZ PR

Pacific Exchange, Inc.
Ticker Symbol: Common-HNZ

TDD Services Mellon Investor Services can be accessed through telecommunications devices for the hearing impaired by dialing (800) 231-5469 (within U.S.A.) or (210) 329-8354.

Heinz

H. J. Heinz Company
P.O. Box 57
Pittsburgh, Pennsylvania 15230-0057
(412) 456-5700
www.heinz.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended April 30, 2003

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___________ to ___________

Commission File Number 1-3385

H. J. HEINZ COMPANY

(Exact name of registrant as specified in its charter)

PENNSYLVANIA (State of Incorporation)	**25-0542520** (I.R.S. Employer Identification No.)
600 Grant Street, Pittsburgh, Pennsylvania (Address of principal executive offices)	**15219** (Zip Code)

412-456-5700
(Registrant's telephone number)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	*Name of each exchange on which registered*
Common Stock, par value $.25 per share	New York Stock Exchange; Pacific Exchange
Third Cumulative Preferred Stock, $1.70 First Series, par value $10 per share	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ✓ No __

As of June 30, 2003 the aggregate market value of the Registrant's voting stock held by non-affiliates of the Registrant was approximately $11,618,470,904.

The number of shares of the Registrant's Common Stock, par value $.25 per share, outstanding as of June 30, 2003, was 352,745,885 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on September 12, 2003, which will be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year ended April 30, 2003, are incorporated into Part III, Items 10, 11, 12, 13, and 14.

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PART I

Item 1. Business.

H. J. Heinz Company was incorporated in Pennsylvania on July 27, 1900. In 1905, it succeeded to the business of a partnership operating under the same name which had developed from a food business founded in 1869 at Sharpsburg, Pennsylvania by Henry J. Heinz. H. J. Heinz Company and its subsidiaries (collectively, the "Company") manufacture and market an extensive line of processed food products throughout the world. The Company's principal products include ketchup, condiments and sauces, frozen food, soups, beans and pasta meals, tuna and other seafood products, infant food and other processed food products.

The Company's products are manufactured and packaged to provide safe, wholesome foods for consumers, foodservice and institutional customers. Many products are prepared from recipes developed in the Company's research laboratories and experimental kitchens. Ingredients are carefully selected, washed, trimmed, inspected and passed on to modern factory kitchens where they are processed, after which the finished product is filled automatically into containers of glass, metal, plastic, paper or fiberboard which are then closed, processed, labeled and cased for market. Finished products are processed by sterilization, homogenization, chilling, freezing, pickling, drying, freeze drying, baking or extruding. Certain finished products and seasonal raw materials are aseptically packed into sterile containers after in-line sterilization.

The Company manufactures and contracts for the manufacture of its products from a wide variety of raw foods. Pre-season contracts are made with farmers for a portion of raw materials such as tomatoes, cucumbers, potatoes, onions and some other fruits and vegetables. Dairy products, meat, sugar, spices, flour and certain other fruits and vegetables are generally purchased on the open market. Tuna is obtained through spot and term contracts directly with tuna vessel owners or their cooperatives and by brokered transactions.

The following table lists the number of the Company's principal food processing factories and major trademarks by region:

	Factories		
	Owned	*Leased*	*Major Trademarks*
North America	22	5	*Heinz, Classico, Quality Chef, Yoshida, Jack Daniels*, Catelli, Wyler's, E-Z Squirt, Diana Sauce, Bell 'Orto, Bella Rosa, Pablum, Chef Francisco, Domani, Dianne's, Ore-Ida, Bagel Bites, Moore's, Rosetto, Weight Watchers*, Boston Market*, Smart Ones, Hot Bites, Poppers, TGI Friday's*, Delimex*
Europe	32	4	*Heinz, Petit Navire, John West, Mare D'Oro, Mareblu, Marie Elisabeth, Orlando, Guloso, Linda McCartney*, Weight Watchers*, Farley's, Farex, Sonnen Basserman, Plasmon, Nipiol, Dieterba, Ortobuono, Frank Coopers*, Pudliszki, Go Ahead!*, Ross, Hak, Honig, De Ruijter*
Asia/Pacific	18	4	*Heinz, Tom Piper, Wattie's, ABC, Tegel, Chef, Champ, Craig's, Bruno, Winna, Hellaby, Hamper, Farley's, Greenseas, Gourmet, Nurture, Complan, Farex*
Other Operating Entities	7	2	*Heinz, Olivine, Wellington's, Ganave, Champs, Royal Pacific, John West*
	79	15	** Used under license*

The Company also owns or leases office space, warehouses, distribution centers and research and other facilities throughout the world. The Company's food processing plants and principal properties are in good condition and are satisfactory for the purposes for which they are being utilized.

The Company has participated in the development of certain of its food processing equipment, some of which is patented. The Company regards these patents as important but does not consider any one or group of them to be materially important to its business as a whole.

Although crops constituting some of the Company's raw food ingredients are harvested on a seasonal basis, most of the Company's products are produced throughout the year. Seasonal factors inherent in the business have always influenced the quarterly sales and net income of the Company. Consequently, comparisons between quarters have always been more meaningful when made between the same quarters of different years.

The products of the Company are sold under highly competitive conditions, with many large and small competitors. The Company regards its principal competition to be other manufacturers of processed foods, including branded, retail products, foodservice products and private label products, that compete with the Company for consumer preference, distribution, shelf space and merchandising support. Product quality and consumer value are important areas of competition.

The Company's products are sold through its own sales force and through independent brokers, agents and distributors to chain, wholesale, cooperative and independent grocery accounts, pharmacies, mass merchants, club stores, foodservice distributors and institutions, including hotels, restaurants and certain government agencies. For Fiscal 2003, no single customer represented more than 10% of the Company's sales.

Compliance with the provisions of national, state and local environmental laws and regulations has not had a material effect upon the capital expenditures, earnings or competitive position of the Company. The Company's estimated capital expenditures for environmental control facilities for the remainder of fiscal year 2004 and the succeeding fiscal year are not material and are not expected to materially affect either the earnings or competitive position of the Company.

The Company's factories are subject to inspections by various governmental agencies, including the United States Department of Agriculture, and the Occupational Health and Safety Administration, and its products must comply with the applicable laws, including food and drug laws, such as the Federal Food and Cosmetic Act of 1938, as amended, and the Federal Fair Packaging or Labeling Act of 1966, as amended, of the jurisdictions in which they are manufactured and marketed.

The Company employed, on a full-time basis as of April 30, 2003, approximately 38,900 persons around the world.

Segment information is set forth in this report on pages 56 through 58 in Note 15, "Segment Information" in Item 8—"Financial Statements and Supplementary Data."

Income from international operations is subject to fluctuation in currency values, export and import restrictions, foreign ownership restrictions, economic controls and other factors. From time to time, exchange restrictions imposed by various countries have restricted the transfer of funds between countries and between the Company and its subsidiaries. To date, such exchange restrictions have not had a material adverse effect on the Company's operations.

CAUTIONARY STATEMENT RELEVANT TO FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward-looking statements made by or on behalf of the Company. The Company and its representatives may from time to time make written or oral forward-looking statements, including statements contained in the Company's filings with the Securities and Exchange Commission and in its reports to shareholders. These forward-looking statements are based on management's views and assumptions of future events and financial performance. The words or phrases "will likely result,"

"are expected to," "will continue," "is anticipated," "should," "estimate," "project," "target," "goal", "outlook" or similar expressions identify "forward-looking statements" within the meaning of the Act.

In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. These forward-looking statements are uncertain. The risks and uncertainties that may affect operations and financial performance and other activities, some of which may be beyond the control of the Company, include the following:

- Changes in laws and regulations, including changes in food and drug laws, accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law interpretations) and environmental laws in domestic or foreign jurisdictions;
- Competitive product and pricing pressures and the Company's ability to gain or maintain share of sales as a result of actions by competitors and others;
- Fluctuations in the cost and availability of raw materials and the ability to maintain favorable supplier arrangements and relationships;
- The impact of higher energy costs and other factors affecting the cost of producing, transporting and distributing the Company's products;
- The Company's ability to generate sufficient cash flows to support capital expenditures, share repurchase programs, debt repayment and general operating activities;
- The inherent risks in the marketplace associated with new product or packaging introductions, including uncertainties about trade and consumer acceptance;
- The Company's ability to achieve sales and earnings forecasts, which are based on assumptions about sales volume, product mix and other items;
- The Company's ability to integrate acquisitions and joint ventures into its existing operations and the availability of new acquisition and joint venture opportunities and the success of divestitures and other business combinations;
- The Company's ability to achieve its cost savings objectives, including any restructuring programs, SKU rationalization programs and its working capital initiatives;
- The impact of unforeseen economic and political changes in markets where the Company competes, such as export and import restrictions, currency exchange rates and restrictions, inflation rates, recession, foreign ownership restrictions and other external factors over which the Company has no control, including the possibility of increased pension expense and contributions resulting from continued decline in stock market returns;
- The performance of businesses in hyperinflationary environments;
- Changes in estimates in critical accounting judgments;
- Interest rate fluctuations and other capital market conditions;
- The effectiveness of the Company's advertising, marketing and promotional programs;
- Weather conditions, which could impact demand for Company products and the supply and cost of raw materials;
- The impact of e-commerce and e-procurement, supply chain efficiency and cash flow initiatives;
- The Company's ability to maintain its profit margin in the face of a consolidating retail environment;
- The impact of global industry conditions, including the effect of the economic downturn in the food industry and the foodservice business in particular;
- The Company's ability to offset the reduction in volume and revenue resulting from participation in categories experiencing declining consumption rates; and

- With respect to future dividends on Company stock, meeting certain legal requirements at the time of declaration.

The foregoing list of important factors is not exclusive. The forward-looking statements are and will be based on management's then current views and assumptions regarding future events and operating performance and speak only as of their dates. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 2. Properties.

See table in Item 1.

Item 3. Legal Proceedings.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

The Company has not submitted any matters to a vote of security holders since the last annual meeting of shareholders on September 12, 2002.

Executive Officers of the Registrant

The following is a list of the names and ages of all of the executive officers of H. J. Heinz Company indicating all positions and offices held by each such person and each such person's principal occupations or employment during the past five years. All the executive officers have been elected to serve until the next annual election of officers or until their successors are elected, or until their earlier resignation or removal. The annual election of officers is scheduled to occur on September 12, 2003.

Name	*Age (as of September 12, 2003)*	*Positions and Offices Held with the Company and Principal Occupations or Employment During Past Five Years*
William R. Johnson	54	Chairman, President, and Chief Executive Officer since September 2000; President and Chief Executive Officer from April 1998 to September 2000.
Neil Harrison	50	Executive Vice President—President and Chief Executive Officer—Heinz North America since July 2002; Senior Vice President and President—Heinz Frozen Food Company from September 2001 to July 2002; President and Chief Executive Officer—Heinz Frozen Food Company from October 1998 to September 2001; President and Chief Executive Officer—Weight Watchers Gourmet Food Company from August 1997 to October 1998.
Joseph Jimenez	43	Executive Vice President—President and Chief Executive Officer Heinz Europe since July 2002; Senior Vice President and President—Heinz North America from September 2001 to July 2002; President and Chief Executive Officer—Heinz North America from November 1998 to September 2001; President—Orville Redenbacher/Swiss Miss Food Company and Wesson/Peter Pan Food Company from March 1997 to November 1998.
Arthur B. Winkleblack	46	Executive Vice President and Chief Financial Officer since January 2002; Acting Chief Operating Officer—Perform.com and Chief Executive Officer—Freeride.com at Indigo Capital (Provided financing for early stage technology companies) (1999-2001); Executive Vice President and Chief Financial Officer—C. Dean Metropoulos & Co. (Provides management services for consumer product investments of Hicks, Muse, Tate & Furst) (1998-1999).
Michael J. Bertasso	53	Senior Vice President—President Heinz Asia/Pacific since September 2002; Senior Vice President—Strategy, Process and Business Development from May 1998 to September 2002.

Name	*Age (as of September 12, 2003)*	*Positions and Offices Held with the Company and Principal Occupations or Employment During Past Five Years*
Michael D. Milone	47	Senior Vice President—Global Category Development since May 2000; Chief Executive Officer Star-Kist Foods, Inc. from May 2001 to December 2002; Vice President—Global Category Development from August 1998 to May 2000.
D. Edward I. Smyth	53	Senior Vice President—Chief Administrative Officer and Corporate and Government Affairs since December 2002; Senior Vice President—Corporate and Government Affairs from May 1998 to December 2002.
Laura Stein	41	Senior Vice President and General Counsel since January 2000; attorney at The Clorox Company from 1992-1999, last serving as Assistant General Counsel—Regulatory Affairs.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Information relating to the Company's common stock is set forth in this report on page 26 under the caption "Stock Market Information", in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations", and on page 59 in Note 16, "Quarterly Results" in Item 8—"Financial Statements and Supplementary Data."

Item 6. Selected Financial Data.

The following table presents selected consolidated financial data for the Company and its subsidiaries for each of the five fiscal years 1999 through 2003. All amounts are in thousands except per share data.

	Fiscal year ended				
	April 30, 2003 (52 Weeks)	*May 1, 2002 (52 Weeks)*	*May 2, 2001 (52 Weeks)*	*May 3, 2000 (53 Weeks)*	*April 28, 1999 (52 Weeks)(2)*
Sales(1)(2)	$8,236,836	$ 7,614,036	$6,987,698	$6,892,807	$9,299,610
Interest expense(2)	223,532	230,611	262,488	206,996	258,813
Income from continuing operations before cumulative effect of change in accounting principle(2)	555,359	675,181	563,931	780,145	474,341
Income from continuing operations before cumulative effect of change in accounting principle per share—diluted(2)	1.57	1.91	1.61	2.17	1.29
Income from continuing operations before cumulative effect of change in accounting principle per share—basic(2)	1.58	1.93	1.62	2.20	1.31
Short-term debt and current portion of long-term debt	154,786	702,645	1,870,834	176,575	904,207
Long-term debt, exclusive of current portion(3)	4,776,143	4,642,968	3,014,853	3,935,826	2,472,206
Total assets	9,224,751	10,278,354	9,035,150	8,850,657	8,053,634
Cash dividends per common share	1.485	1.6075	1.545	1.445	1.3425

(1) Sales for 2003, 2002, 2001 and 2000 reflect the adoption of the new EITF guidelines relating to the classification of consideration from a vendor to a purchaser of a vendor's products, including both customers and consumers. Sales for 1999 have not been adjusted to reflect the new EITF reclassifications as it is impracticable to do so.

(2) Amounts for 2003, 2002, 2001 and 2000 exclude the operating results related to the businesses spun off to Del Monte which have been treated as discontinued operations. See Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion of the Del Monte transaction. These amounts for 1999 have not been adjusted to reflect discontinued operations as it is impracticable to do so.

(3) Long-term debt, exclusive of current portion, includes $294.8 million and $23.6 million of hedge accounting adjustments associated with interest rate swaps at April 30, 2003 and May 1, 2002, respectively. There were no interest rate swaps at May 2, 2001, May 3, 2000, and April 28, 1999.

Fiscal 2003 results from continuing operations include costs related to the Del Monte transaction and costs to reduce overhead of the remaining businesses totaling $164.6 million pretax ($113.1 million after-tax). These include employee termination and severance costs, legal and other professional service costs and cost related to the early extinguishment of debt. In addition, Fiscal 2003 includes losses on the exit of non-strategic businesses of $62.4 million pretax ($49.3 million after-tax).

Fiscal 2002 results from continuing operations include net restructuring and implementation costs of $12.4 million pretax ($8.9 million after-tax) for the Streamline initiative.

Fiscal 2001 results from continuing operations include restructuring and implementation costs of $101.4 million pretax ($69.0 million after-tax) for the Streamline initiative, net restructuring and implementation costs of $146.5 million pretax ($91.2 million after-tax) for Operation Excel, a benefit of $93.2 million from tax planning and new tax legislation in Italy, a loss of $94.6 million pretax ($66.2 million after-tax) on the sale of The All American Gourmet business, company acquisition costs of $18.5 million pretax ($11.7 million after-tax), the after-tax impact of adopting Staff Accounting Bulletin ("SAB") No. 101 and Statement of Financial Accounting Standards ("SFAS") No. 133 of $15.3 million and a loss of $5.6 million pretax ($3.5 million after-tax) which represents the Company's equity loss associated with The Hain Celestial Group's fourth quarter results which included charges for its merger with Celestial Seasonings. See Notes 4 and 5 to the Consolidated Financial Statements beginning on page 41 of Item 8—"Financial Statements and Supplementary Data" in this report.

Fiscal 2000 results from continuing operations include net restructuring and implementation costs of $284.0 million pretax ($190.7 million after-tax) for Operation Excel, a pretax contribution of $30.0 million ($18.9 million after-tax) to the H. J. Heinz Company Foundation, a gain of $464.6 million pretax ($259.7 million after-tax) on the sale of the Weight Watchers classroom business and a gain of $18.2 million pretax ($11.8 million after-tax) on the sale of an office building in the U.K.

Fiscal 1999 results include restructuring and implementation costs of $552.8 million pretax ($409.7 million after-tax) for Operation Excel and costs of $22.3 million pretax ($14.3 million after-tax) related to the implementation of Project Millennia, offset by the reversal of unutilized Project Millennia accruals for severance and exit costs of $25.7 million pretax ($16.4 million after-tax) and a gain of $5.7 million pretax ($0.6 million after-tax) on the sale of the bakery products unit.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Special Items

Discontinued operations

On December 20, 2002, Heinz transferred to a wholly-owned subsidiary ("SKF Foods") certain assets and liabilities, including its U.S. and Canadian pet food and pet snacks, U.S. tuna, U.S. retail private label soup and private label gravy, *College Inn* broths and U.S. infant feeding businesses and distributed all of the shares of SKF Foods common stock on a pro rata basis to its shareholders. Immediately thereafter, SKF Foods merged with a wholly-owned subsidiary of Del Monte Foods Company ("Del Monte") resulting in SKF Foods becoming a wholly-owned subsidiary of Del Monte ("the Merger").

In accordance with accounting principles generally accepted in the United States of America, the operating results and net assets related to these businesses spun off to Del Monte have been included in discontinued operations in the Company's consolidated statements of income and consolidated balance sheets. Discontinued operations for the fiscal years ended April 30, 2003 and May 1, 2002, represent operating results for eight and twelve months, respectively. The net assets

distributed to Heinz shareholders have been treated as a dividend and charged to retained earnings.

The discontinued operations generated sales of $1,091.3 million, $1,817.0 million and $1,833.2 million and net income of $88.7 million (net of $35.4 million in tax), net income of $158.7 million (net of $69.4 million in tax) and a net loss of $70.6 million (net of $12.4 million of a tax benefit) for the fiscal years ended April 30, 2003, May 1, 2002 and May 2, 2001, respectively.

Del Monte and other reorganization costs

In Fiscal 2003, Del Monte transaction costs and costs to reduce overhead of the remaining business totaled $164.6 million pretax ($113.1 million after-tax) and were comprised of $61.8 million for legal, professional and other related costs, $51.3 million in employee termination and severance costs, $39.6 million related to the early retirement of debt and $12.0 million in non-cash asset write-downs. Of this amount, $6.1 million was included in cost of products sold, $118.9 million in selling, general and administrative expenses ("SG&A"), and $39.6 million in other expenses, net.

Additionally, in Fiscal 2003, losses on the exit of non-strategic businesses, primarily the UK frozen pizza business and a North American fish and frozen vegetable business, totaled $62.4 million pretax ($49.3 million after-tax), comprising of $39.7 million in non-cash asset write-downs, $12.1 million in losses on the sale of businesses and $10.6 million in employee termination, severance and other exit costs. Of these amounts, $47.3 million was included in cost of products sold and $15.1 million in SG&A. To date, management estimates that these actions have impacted approximately 1,000 employees excluding those who were transferred to Del Monte.

Streamline

In the fourth quarter of Fiscal 2001, the Company announced a restructuring initiative named "Streamline". This initiative included a worldwide organizational restructuring aimed at reducing overhead costs and was completed in the first half of Fiscal 2003.

During Fiscal 2003, the Company utilized $19.4 million of severance and exit cost accruals, principally related to its global overhead reduction plan, primarily in Europe and North America. In addition, as a result of the spin-off of SKF Foods, a $3.4 million restructuring liability related to ceasing canned pet food production at the Company's Terminal Island, California facility was transferred to Del Monte.

During the first quarter of Fiscal 2002, the Company recognized restructuring and implementation charges totaling $8.3 million pretax ($6.1 million after-tax). In the fourth quarter of Fiscal 2002, the Company recorded a net charge of $4.1 million pretax ($2.8 million after-tax) to reflect revisions in original cost estimates. This charge was primarily a result of higher than expected severance costs (primarily in Europe and the U.S.). Total Fiscal 2002 pretax charges of $3.8 million were classified as cost of products sold and $8.6 million as SG&A.

During Fiscal 2001, the Company recognized restructuring charges and implementation costs totaling $101.4 million pretax ($69.0 million after-tax), which primarily include severance costs and were all classified as SG&A. Implementation costs were recognized as incurred in Fiscal 2002 ($2.6 million pretax) and Fiscal 2001 ($1.8 million pretax) and consist of incremental costs directly related to the implementation of the Streamline initiative. The Streamline initiative resulted in a net reduction of the Company's workforce of approximately 2,600 employees.

Operation Excel

In Fiscal 1999, the Company announced a growth and restructuring initiative named "Operation Excel." This initiative was a multi-year, multi-faceted program that established manufacturing centers of excellence, focused the product portfolio, realigned the Company's management

teams and invested in growth initiatives. The Company substantially completed Operation Excel in Fiscal 2002.

During Fiscal 2001, the Company recognized restructuring charges of $12.1 million pretax ($7.7 million after-tax). These charges were primarily associated with higher than originally expected severance costs associated with creating the single North American Grocery & Foodservice headquarters in Pittsburgh, Pennsylvania. Of this charge, $9.7 million was recorded in cost of products sold and $2.4 million in SG&A. This charge was offset by reversals of unutilized Operation Excel accruals and asset write-downs of $68.4 million pretax ($52.3 million after-tax), of which $36.0 million was recorded in cost of products sold and $32.3 million in SG&A and were primarily the result of lower than expected lease termination costs related to exiting the Company's fitness business, revisions in estimates of fair values of assets which were disposed of as part of Operation Excel, and the Company's decision not to transfer certain European baby food production. Implementation costs of $202.8 million pretax ($135.8 million after-tax) were also recognized in Fiscal 2001, of which $100.2 million were recorded in cost of products sold and $102.6 million in SG&A. Operation Excel resulted in a net reduction of the Company's workforce of approximately 7,100 employees.

Recently Issued Accounting Standards

In Fiscal 2001, the Company changed its method of accounting for revenue recognition in accordance with SAB No. 101, "Revenue Recognition in Financial Statements." Under this new accounting method, adopted retroactive to May 4, 2000, Heinz recognizes revenue upon the passage of title, ownership and risk of loss to the customer. The cumulative effect of the change in prior years resulted in a charge to income in Fiscal 2001 of $14.8 million (net of income taxes of $9.3 million). The change did not have a significant effect on revenues or results of operations for the fiscal year ended May 2, 2001.

Effective May 2, 2002, the Company adopted SFAS No. 142 "Goodwill and Other Intangible Assets." Under this standard, goodwill and other intangibles with indefinite useful lives are no longer amortized. This standard also requires, at a minimum, an annual assessment of the carrying value of goodwill and intangibles with indefinite useful lives. The reassessment of intangible assets, including the ongoing impact of amortization, was completed during the first quarter of Fiscal 2003. Net income from continuing operations for the fiscal years ended May 1, 2002 and May 2, 2001 would have been $720.4 million ($0.13 per share higher) and $583.7 million ($0.10 per share higher), respectively, had the provisions of the new standards been applied as of May 4, 2000.

During the first half of Fiscal 2003, the Company completed its transitional impairment review of goodwill and indefinite lived intangible assets, and recognized a transition adjustment of $77.8 million ($0.22 per share) to write down goodwill associated with businesses in Eastern Europe, Argentina, Spain, South Korea and South Africa. This adjustment is recorded as an effect of change in accounting principle as of May 2, 2002. Based on current and forecasted operating results, the Company does not anticipate any further goodwill impairment charges in the near term.

Effective May 2, 2002, the Company adopted SFAS No. 144 "Accounting for Impairment or Disposal of Long-lived Assets." This Statement provides updated guidance concerning the recognition and measurement of an impairment loss for certain types of long-lived assets, expands the scope of a discontinued operation to include a component of an entity and eliminates the current exemption to consolidation when control over a subsidiary is likely to be temporary. The adoption of this new standard did not have a material impact on the Company's financial position, results of operations or cash flows for the fiscal year ended April 30, 2003.

During Fiscal 2003, the Company adopted SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for

costs associated with exit or disposal activities. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This Statement also establishes that fair value is the objective for initial measurement of the liability.

During Fiscal 2003, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued, and it requires the recognition of a liability at fair value by a guarantor at the inception of a guarantee. The initial recognition and measurement provisions of FIN 45 are effective on a prospective basis for all guarantees issued or modified after December 31, 2002. The Company has not issued or modified any material guarantees since December 31, 2002.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure — an amendment of FASB Statement No. 123". SFAS No. 148 provides alternative methods of transitions for entities that voluntarily change to the fair value method of accounting for stock-based employee compensation, and it also amends the disclosure provisions of SFAS No. 123 to require disclosure about the effects of an entity's accounting policy decisions with respect to stock-based employee compensation in both annual and interim financial reporting. The disclosure provisions of SFAS No. 148 were effective for the Company at April 30, 2003. The Company is currently evaluating its policy for recognizing expense related to stock options.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This statement affects the classification, measurement and disclosure requirements of certain freestanding financial instruments, including mandatorily redeemable shares. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective for the Company for the second quarter of Fiscal 2004. The adoption of SFAS No. 150 will require the reclassification of the Company's $325 million of mandatorily redeemable preferred shares from minority interest to long-term debt on the consolidated balance sheet and the $20.2 million annual preferred dividend from other expenses, net, to interest expense on the consolidated statement of income with no resulting effect on the Company's profitability.

Results of Continuing Operations — 2003 versus 2002

Sales for Fiscal 2003 increased $622.8 million, or 8.2%, to $8.24 billion. Sales were favorably impacted by pricing of 4.2%, foreign exchange translation rates of 5.6% and acquisitions of 2.2%. The favorable impact of acquisitions is primarily related to prior year acquisitions in the Heinz North America and U.S. Frozen segments. The favorable pricing was realized primarily in certain highly inflationary countries, Europe and Asia/Pacific. Sales were negatively impacted by unfavorable volumes of 2.0%, due mainly to certain highly inflationary countries and the U.S. Frozen segment, as well as the continued impact of the previously announced SKU ("Stock Keeping Unit") rationalization of low-margin products across the Company. Divestitures reduced sales by 1.8%. Domestic operations contributed approximately 38% of consolidated sales in Fiscal 2003 compared to 41% in Fiscal 2002.

The current year's results were negatively impacted by special charges totaling $227.0 million pretax ($162.4 million after-tax) related to the following items: Del Monte transaction costs, costs to reduce overhead of the remaining businesses and losses on the exit of non-strategic businesses. The Fiscal 2003 special charges were classified as cost of products sold ($53.4 million), SG&A ($134.0 million) and other expenses ($39.6 million). Last year's results were negatively impacted by net Streamline restructuring charges and implementation costs totaling $12.4 million pretax ($8.9 million after-tax). Fiscal 2002 charges were classified as cost of products sold ($3.8 million) and SG&A ($8.6 million).

Gross profit increased $176.5 million, or 6.4%, to $2.93 billion and the gross profit margin decreased slightly to 35.6% from 36.2%. This increase was primarily a result of favorable pricing and exchange translation rates and the benefit of reduced amortization of intangible assets of approximately $47.9 million, partially offset by the impact related to the special items discussed above of $53.4 million in Fiscal 2003. Fiscal 2002 operating income was also unfavorably impacted by $3.8 million for the special items discussed above.

SG&A increased $302.6 million, or 20.8%, to $1.76 billion and increased as a percentage of sales to 21.4% from 19.1%. The increase is primarily driven by the impact of the special items discussed above of $134.0 million in Fiscal 2003, increased Selling & Distribution ("S&D") expenses, increased marketing spend across all segments and increased General & Administrative ("G&A") expenses in the Europe, Heinz North America and Asia/Pacific segments. Fiscal 2002 SG&A was also impacted by $8.6 million for the special items discussed above.

Total marketing support (recorded either as a reduction of revenue or as a component of SG&A) increased $199.2 million, or 9.7%, to $2.26 billion on a sales increase of 8.2%.

Operating income decreased $126.1 million, or 9.7%, to $1.17 billion and decreased as a percentage of sales to 14.3% from 17.1%. This decrease was primarily driven by the impact of the special items discussed above of $187.4 million in Fiscal 2003 and the U.S. Frozen segment partially offset by increases in the Europe and Asia/Pacific segments due to favorable exchange rates and pricing. Fiscal 2002 operating income was also unfavorably impacted by $12.4 million for the special items discussed above.

Net interest expense decreased $12.0 million to $192.4 million, driven by lower interest rates and lower average debt over the past year. Other expense increased $67.7 million to $112.6 million. The increase is primarily attributable to the $39.6 million pretax charge related to early retirement of debt and increases in minority interest expense, largely related to increased profitability in joint ventures in certain highly inflationary countries. The effective tax rate for Fiscal 2003 was 36.1% compared to 35.7% last year. The effective tax rate was unfavorably impacted by 1.6% and 0.1% in Fiscal 2003 and 2002, respectively, by the special items discussed above.

Net income for Fiscal 2003 (before the effect of change in accounting principle related to the adoption of SFAS No. 142) was $555.4 million compared to $675.2 million last year. Diluted earnings per share (before cumulative effect of change in accounting principle related to the adoption of SFAS No. 142) was $1.57 in Fiscal 2003 compared to $1.91 in Fiscal 2002. Net income was negatively impacted by $162.4 million and $8.9 million in Fiscal 2003 and 2002, respectively, by the special items discussed above.

The impact of fluctuating exchange rates for Fiscal 2003 remained relatively consistent on a line-by-line basis throughout the consolidated statement of income.

OPERATING RESULTS BY BUSINESS SEGMENT

Heinz North America

Sales of the Heinz North America segment increased $56.2 million, or 2.5%, to $2.27 billion. Acquisitions, net of divestitures, increased sales 1.7%, due primarily to the prior year acquisitions of *Classico* and *Aunt Millie's* pasta sauce, *Mrs. Grass Recipe* soups, *Wyler's* bouillons and soups and *Dianne's* frozen desserts. Higher pricing increased sales 1.3%, due mainly to retail ketchup, *Jack Daniels* marinades and grilling sauces and frozen soup. Sales volume decreased 0.7% as increases in foodservice ketchup, specialty sauces and *Dianne's* frozen desserts were offset by decreases primarily in *Heinz* retail ketchup and vinegar.

Gross profit increased $0.1 million to $830.7 million; however, the gross profit margin decreased to 36.5% from 37.5% due primarily to unfavorable sales mix and increased manufacturing

costs, partially offset by reduced amortization expense on intangible assets with indefinite lives and favorable pricing. Gross profit was also unfavorably impacted by $6.0 million and $2.4 million in Fiscal 2003 and 2002, respectively, related to the special items discussed above. Operating income decreased $94.5 million, or 19.8%, to $382.8 million due primarily to the unfavorable impact of the special items discussed above in Fiscal 2003 of $66.8 million, higher S&D and G&A expenses and increased marketing of $11.2 million primarily behind *Heinz Easy Squeeze!* ketchup, *Classico* pasta sauce and the foodservice ketchup "Insist on Heinz" campaign. Fiscal 2002 operating income was also unfavorably impacted by the special items of $6.1 million.

U.S. Frozen

U.S. Frozen's sales decreased $15.2 million, or 1.3%. to $1.16 billion. Acquisitions, net of divestitures, increased sales 5.1%, due primarily to the prior year acquisitions of Delimex frozen Mexican foods, Anchor's *Poppers* retail frozen appetizers and licensing rights to the *T.G.I. Friday's* brand of frozen snacks and appetizers. Lower pricing decreased sales 1.9%, primarily due to *Boston Market HomeStyle* meals and appetizers and *SmartOnes* frozen entrees, partially offset by a reduction in trade promotions related to the launch of *Hot Bites* in the prior year and in *Ore-Ida* frozen potatoes. Sales volume decreased 4.5% driven by *Boston Market HomeStyle* side dishes, *Ore-Ida Funky Fries* and *Hot Bites*, partially offset by growth in *SmartOnes* frozen entrees.

Gross profit decreased $24.0 million, or 5.4%, and the gross profit margin decreased to 36.2% from 37.8%. These decreases are primarily due to lower pricing, unfavorable sales mix, increased trade promotions and costs to exit the *Ore-Ida Funky Fries* and *Hot Bites* product lines, partially offset by acquisitions. Operating income decreased $45.1 million, or 18.4%, to $199.7 million due primarily to the change in gross profit and increased consumer marketing on *SmartOnes* frozen entrees and *Ore-Ida* frozen potatoes and increased S&D, partially offset by reduced G&A expenses.

Europe

Heinz Europe's sales increased $314.0 million, or 11.1%, to $3.15 billion. Favorable exchange translation rates increased sales by 10.8%. Higher pricing increased sales 1.7%, primarily due to *Heinz* beans, ketchup and soups. Lower volume decreased sales 0.8%, driven primarily by planned SKU rationalizations and frozen pizza, partially offset by volume increases in ketchup and frozen entrees. Divestitures reduced sales by 0.6%.

Gross profit increased $104.1 million, or 9.8%, to $1.17 billion; however, the gross profit margin decreased to 37.2% from 37.7%. The increase in gross profit is due primarily to favorable foreign exchange rates, pricing and reduced amortization expense related to intangible assets. This increase was partially offset by the unfavorable impact of $47.4 million related to the special items discussed above in Fiscal 2003. Operating income increased $11.8 million, or 2.2%, to $553.7 million, primarily attributable to the favorable change in gross profit, offset partially by increased SG&A expenses. Fiscal 2003 operating income was also unfavorably impacted by $58.9 million related to the special items discussed above, and Fiscal 2002 operating income was unfavorably impacted by the special items of $3.6 million.

Asia/Pacific

Sales in Asia/Pacific increased $169.8 million, or 17.3%, to $1.15 billion. Favorable exchange translation rates increased sales by 12.0%. Higher pricing increased sales 3.7%, primarily due to *Heinz* ready-to-serve soups, poultry, juices/drinks and sauces. Volume increased sales 0.1%, driven primarily by increases in sauces, poultry and ketchup, partially offset by declines driven by planned SKU rationalizations and decreases in cooking oils and frozen vegetables. Acquisitions, net of divestitures, increased sales by 1.5%.

Gross profit increased $75.0 million, or 25.6%, to $367.5 million, and the gross profit margin increased to 31.9% from 29.8%. These increases are due primarily to favorable foreign exchange

rates, increased pricing and reduced manufacturing costs. During Fiscal 2003, the Company made significant progress in improving its supply chain and net pricing across our businesses in Australia, New Zealand and Japan. Operating income increased $35.4 million, or 43.2%, to $117.5 million, primarily due to the change in gross profit, offset partially by increased marketing and G&A expenses. Fiscal 2003 operating income was also unfavorably impacted by $6.6 million related to the special items discussed above.

Other Operating Entities

Sales for Other Operating Entities increased $98.0 million, or 23.9%, to $508.4 million primarily due to favorable pricing in certain highly inflationary countries. Gross profit increased $24.5 million, or 20.7%, due primarily to favorable pricing. Operating income increased $34.6 million due primarily to the increase in gross profit; however, more than half of this increase was offset by increased minority interest expense recorded below operating income.

Zimbabwe remains in a period of economic uncertainty. Should the current situation continue, the Company could experience disruptions in its Zimbabwe operations. Therefore, as of the end of November 2002, the Company deconsolidated its Zimbabwean operations and classified its remaining net investment of approximately $110 million as a cost investment included in other non-current assets on the consolidated balance sheet as of April 30, 2003. If this situation continues to deteriorate, the Company's ability to recover its investment could be impaired.

Results of Continuing Operations — 2002 versus 2001

Sales for Fiscal 2002 increased $626.3 million, or 9.0%, to $7.61 billion. Acquisitions increased sales by 12.4% and higher pricing increased sales by 1.5%. Offsetting these improvements were decreases from divestitures of 2.2%, exchange translation rates of 2.1% and volume of 0.6%. Domestic operations contributed approximately 41% of consolidated sales in Fiscal 2002 compared to 40% in Fiscal 2001.

The favorable impact of acquisitions is primarily related to *Classico* and *Aunt Millie's* pasta sauce, *Mrs. Grass Recipe* soups and *Wyler's* bouillons and soups in the North America segment; Delimex frozen Mexican foods, Anchor's *Poppers* retail frozen appetizers and licensing rights to the *T.G.I. Friday's* brand of frozen snacks and appetizers in the U.S. Frozen segment; and the *Honig* brands of soups, sauces and pasta meals, *HAK* brand of vegetables packed in glass, *KDR* brand of sport drinks, juices, spreads and sprinkles in the Europe segment.

The Fiscal 2002 results were negatively impacted by net Streamline restructuring charges and implementation costs totaling $12.4 million pretax ($8.9 million after-tax). Fiscal 2002 charges of $3.8 million were classified as cost of products sold and $8.6 million as SG&A. Fiscal 2001 results were negatively impacted by special items that net to $366.7 million pretax ($163.8 million after-tax). Fiscal 2001 special items include restructuring and implementation costs of $101.4 million pretax ($69.0 million after-tax) for the Streamline initiative, net restructuring and implementation costs of $146.5 million pretax ($91.2 million after-tax) for Operation Excel, a benefit of $93.2 million from tax planning and new tax legislation in Italy, a loss of $94.6 million pretax ($66.2 million after-tax) on the sale of The All American Gourmet business, Company acquisition costs of $18.5 million pretax ($11.7 million after-tax), a loss of $5.6 million pretax ($3.5 million after-tax) which represents the Company's equity loss associated with The Hain Celestial Group's fourth quarter results and the after-tax impact of adopting SAB No. 101 and SFAS No. 133 of $15.3 million. Fiscal 2001 charges of $73.9 million were classified as costs of products sold, $287.1 million as SG&A, and $5.6 million as other expenses, net.

Gross profit increased $175.5 million, or 6.8%, to $2.76 billion; however, the gross profit margin decreased to 36.2% from 36.9%. The increase in gross profit is primarily driven by the impact of acquisitions and the special items discussed above. The special items unfavorably impacted gross profit by $3.8 million and $73.9 million in Fiscal 2002 and 2001, respectively.

SG&A decreased $135.4 million, or 8.5%, to $1.46 billion, and decreased as a percentage of sales to 19.1% from 22.8%. This decrease is primarily attributable to the impact of the special items discussed above, partially offset by acquisitions, increased S&D costs in North America and increased G&A costs in Europe. The special items impacted SG&A by $8.6 million and $287.1 million in Fiscal 2002 and 2001, respectively.

Total marketing support (recorded either as a reduction of revenue or as a component of SG&A) increased $291.2 million, or 16.5%, to $2.06 billion on a sales increase of 9.0%.

Operating income increased $310.9 million, or 31.4%, to $1.30 billion, and increased as a percentage of sales to 17.1% from 14.2%. This increase is primarily driven by the impact of acquisitions and the special items discussed above. The special items unfavorably impacted operating income by $12.4 million and $361.0 million in Fiscal 2002 and 2001, respectively.

Net interest expense decreased $35.5 million to $204.4 million driven by lower interest rates, partially offset by increased borrowings. Other expense increased $50.3 million to $44.9 million, primarily due to an increase in minority interest expense and gains from foreign currency hedge contracts recorded in Fiscal 2001, offset by a decrease of $5.6 million related to the special items discussed above.

The effective tax rate for Fiscal 2002 was 35.7% compared to 25.3% in Fiscal 2001. The Fiscal 2001 rate includes a benefit of $93.2 million from tax planning and new tax legislation in Italy, partially offset by restructuring expenses in lower rate jurisdictions and nondeductible expenses. The effective tax rate was unfavorably impacted by 0.1% in Fiscal 2002 and was favorably impacted by 11.2% in Fiscal 2001 by the special items discussed above.

Net income increased $126.5 million to $675.2 million from $548.7 million in Fiscal 2001 and earnings per share increased to $1.91 from $1.56. Net income was negatively impacted by the special items identified above by $8.9 million and $163.8 million in Fiscal 2002 and 2001, respectively. In Fiscal 2001, the Company changed its method of accounting for revenue recognition in accordance with Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements". The cumulative effect of adopting SAB No. 101 was $14.8 million ($0.04 per share) in Fiscal 2001.

The impact of fluctuating exchange rates for Fiscal 2002 remained relatively consistent on a line-by-line basis throughout the consolidated statement of income.

Heinz North America

Sales of the Heinz North America segment increased $130.2 million, or 6.2%, to $2.22 billion. Acquisitions, net of divestitures, increased sales 12.7%. Lower pricing decreased sales 2.7%, primarily related to increased marketing spend across all major brands and to foodservice ketchup. Sales volume decreased 3.2%, primarily in the foodservice business and *Heinz* steak sauces, partially offset by volume increases in grilling sauces. The weaker Canadian dollar decreased sales 0.5%.

Gross profit increased $2.8 million, or 0.3%, to $830.6 million as the favorable impact of acquisitions was offset by lower pricing and a decrease in the foodservice business. Gross profit was also unfavorably impacted by $2.4 million and $7.0 million related to the special items discussed above in Fiscal 2002 and 2001, respectively. Operating income decreased $14.4 million, or 2.9%, to $477.3 million due primarily to the decrease in gross profit driven by the foodservice business and higher S&D costs, partially offset by the favorable impact of acquisitions. Operating income in Fiscal 2002 and 2001 was also unfavorably impacted by $6.1 million and $50.0 million, respectively, related to the special items previously discussed.

U.S. Frozen

U.S. Frozen's sales increased $214.9 million, or 22.5%, to $1.17 billion. Acquisitions increased sales 26.8%. Sales volume increased 4.7% due primarily to *SmartOnes* frozen entrees, *Boston Market HomeStyle Meals* and *Bagel Bites* snacks, partially offset by volume decreases in *Ore-Ida* frozen potatoes. Lower pricing decreased sales 1.0%, primarily due to increased marketing spend across all major brands and lower pricing in *Boston Market HomeStyle Meals,* partially offset by higher pricing of *SmartOnes* frozen entrees and frozen potatoes. Divestures reduced sales by 8.0% due to the divestiture of *Budget Gourmet*.

Gross profit increased $106.3 million, or 31.6%, to $442.6 million due primarily to acquisitions. In addition, gross profit in Fiscal 2001 was also unfavorably impacted by $16.5 million related to the special items. Operating income increased $160.8 million to $244.7 million as the favorable impact of acquisitions was partially offset by lower pricing, increased S&D costs and the divestiture of *Budget Gourmet*. Fiscal 2001 operating income was unfavorably impacted by $118.0 million related to the special items discussed above.

Europe

Heinz Europe's sales increased $251.6 million, or 9.7%, to $2.83 billion. Acquisitions, net of divestitures, increased sales 11.0%. Higher pricing increased sales 1.5%, primarily due to higher pricing in seafood, infant feeding, beans and soup. Volume decreased by 0.4%, driven primarily by infant feeding, partially offset by increases in grocery ketchup, *Heinz* salad cream, tuna, and weight control entrees. Unfavorable exchange translation rates decreased sales by 2.4%.

Gross profit increased $94.1 million, or 9.7%, to $1,067.4 million due primarily to acquisitions and increased pricing. Fiscal 2002 and 2001 gross profit were also unfavorably impacted by $1.4 million and $21.1 million, respectively, related to the special items. Operating income increased $153.2 million, or 39.4%, to $541.8 million primarily attributable to acquisitions, favorable pricing, and the tuna business, partially offset by increased marketing to support key brands across Europe and infrastructure costs. Fiscal 2002 and 2001 operating income was unfavorably impacted by $3.6 million and $129.4 million, respectively, related to the special items.

Asia/Pacific

Sales in Asia/Pacific decreased $60.5 million, or 5.8%. Unfavorable exchange rates reduced sales by 6.5%. Higher pricing increased sales 1.8%, primarily due to sauces and juices. Sales volume decreased 0.6% due primarily to sauces and corned beef, partially offset by volume increases in poultry and juices. Divestitures, net of acquisitions, reduced sales by 0.5%.

Gross profit decreased $41.5 million, or 12.4%, to $292.5 million due primarily to poor factory operations in connection with the movement of manufacturing to New Zealand from Australia and Japan and unfavorable foreign exchange rates, partially offset by increased pricing. Gross profit was also unfavorably impacted in Fiscal 2001 by $30.1 million related to the special items. During Fiscal 2002, New Zealand's factories experienced inefficiencies as a result of significant changes in the supply chain matrix. Operating income decreased $14.1 million to $82.1 million, primarily attributable to the unfavorable operating performance brought about by the movement of manufacturing to New Zealand from Australia and Japan and the significant realignment of manufacturing facilities. Operating income was also unfavorably impacted in Fiscal 2001 by $51.5 million related to the special items.

Other Operating Entities

Sales for Other Operating Entities increased $90.1 million, or 28.1%. Favorable pricing increased sales 34.4%, primarily in certain highly inflationary countries. Sales volume decreased

1.7%, primarily in tuna offset by infant feeding and grocery ketchup. Other items, net, reduced sales by 4.6% mainly due to the divestitures of the South African frozen and pet food businesses.

Gross profit increased $18.0 million, or 17.9%, due primarily to favorable pricing. Operating income increased $5.8 million, or 11.9%, primarily due to higher pricing. Operating income was also favorably impacted in Fiscal 2001 by $11.3 million related to the special items discussed above.

Liquidity and Financial Position

Cash provided by continuing operating activities increased over 25% to $906.0 million from $714.4 million last year. The increase in Fiscal 2003 versus Fiscal 2002 is primarily due to improved working capital performance in accounts receivable and inventory offset by increased pension contributions and higher cash requirements for the special items discussed above.

Cash provided by investing activities totaled $961.1 million compared to cash used by investing activities of $974.1 million last year. Cash provided by the spin-off of SKF Foods was $1,063.6 million in the current year. Acquisitions in the prior year required $834.8 million, due primarily to the purchase of Borden Food Corporation's pasta and dry bouillon and soup business, Delimex Holdings, Inc. and Anchor Food Products branded retail business which includes the retail licensing rights to the *T.G.I. Friday's* brand of frozen snacks and appetizers. Divestitures provided $55.0 million in Fiscal 2003 compared to $32.9 million in Fiscal 2002. Capital expenditures totaled $154.0 million compared to $193.9 million last year, a decrease of approximately 21%.

As noted above, during Fiscal 2003, the Company focused on improving the efficiency of its working capital. The working capital improvements, reduced capital expenditures and the proceeds from the Del Monte transaction allowed the Company to reduce net debt (total debt net of interest rate swaps, less cash and cash equivalents) by approximately $1.3 billion to $3.8 billion in Fiscal 2003 from $5.1 billion in Fiscal 2002, despite pension contributions of $224 million in Fiscal 2003, compared to $111 million in Fiscal 2002. A portion of the Del Monte proceeds was used to retire $650 million of long-term debt. Additional net debt reductions are anticipated in Fiscal 2004.

Cash used for financing activities totaled $1,416.5 million compared to cash provided by financing activities of $181.3 million last year. There were no proceeds from long-term debt in the current period compared to $2,009.1 million last year. Payments on long-term debt required $741.2 million in Fiscal 2003, compared to $329.2 million last year. Payments on commercial paper and short-term borrowings required $176.2 million this year compared to $1,271.0 million last year. In addition, $325.0 million was provided during the prior year via the issuance of preferred stock which is discussed below. Cash provided from stock options exercised totaled $7.5 million this year versus $63.7 million last year. Dividend payments totaled $521.6 million compared to $562.6 million for the same period last year reflecting a reduction in the dividend rate in the fourth quarter of Fiscal 2003 as a result of the spin off of SKF Foods. Fiscal 2004 dividends are expected to approximate $380 million. There were no share repurchases in the current year and share repurchases required $45.4 million in the prior year.

As discussed above, the Company made contributions to its pension plans totaling $224 million in Fiscal 2003. In addition, the Company recorded an additional minimum liability of $451.1 million as of April 30, 2003. Although this non-cash adjustment did not impact the 2003 operating results, pension expense is expected to increase in 2004 primarily due to the lower fair value of pension assets due to poor equity market conditions, a reduction in the assumed discount rate and the estimated return on plan assets.

Return on average shareholders' equity ("ROE") was 32.7% in Fiscal 2003, 43.7% in Fiscal 2002 and 37.0% in Fiscal 2001. ROE was unfavorably impacted by 11.2%, 0.6% and 11.0% in Fiscal 2003, 2002 and 2001, respectively, related to the special items discussed above. Pretax return on

average invested capital ("ROIC") was 16.1% in Fiscal 2003, 18.8% in Fiscal 2002 and 16.6% in Fiscal 2001. ROIC was unfavorably impacted by 3.4%, 0.2% and 6.1% in Fiscal 2003, 2002 and 2001, respectively, related to the special items discussed above.

In Fiscal 2002, H. J. Heinz Finance Company ("Heinz Finance"), a subsidiary of the Company, issued $325 million of 6.226% Voting Cumulative Preferred Stock. The preferred stock is required to be redeemed in July 2008. Also during Fiscal 2002, Heinz Finance privately placed $750 million of 6.625% Notes due July 2011, $700 million of 6.00% Notes due March 2012 and $550 million of 6.75% Notes due March 2032. All of these notes are guaranteed by the Company and they were exchanged in March 2003 for new notes, which were substantially identical in all respects, except for being registered under the Securities Act of 1933. The proceeds from the issuance of the preferred stock and the notes were used to retire commercial paper borrowings and for other general corporate purposes.

In September 2001, the Company and Heinz Finance entered into a 364-Day Credit Agreement, which was renewed in September 2002, and a Five-Year Credit Agreement, expiring in September 2006. The 364-day agreement permits the Company and Heinz Finance to borrow up to $800 million. The five-year agreement permits the Company and Heinz Finance to borrow up to $1.5 billion. These agreements support the Company's commercial paper borrowings and the remarketable securities. As a result, these borrowings are classified as long-term debt based upon the Company's ability to refinance these borrowings on a long-term basis. In addition, the Company had $867 million of foreign lines of credit available at April 30, 2003.

As of April 30, 2003, the Company had $800 million of remarketable securities due November 2020. The securities are subject to an annual remarketing on each November 15, and the interest rate will be reset on such dates. If the securities are not remarketed, then the Company is required to repurchase all of the securities on the remarketing date at 100% of the principal amount plus accrued interest. On November 15, 2002, the securities were remarketed at an effective yield to the Company of 6.56%. In January 2003, $200 million of the remarketable securities were retired with proceeds from the Del Monte transaction as described above.

At April 30, 2003, the Company's long-term debt ratings were "A" at Standard & Poor's and Fitch and "A3" at Moody's and the Company's short-term debt ratings were "A1" at Standard & Poor's, "F-1" at Fitch and "P2" at Moody's.

Since the beginning of Fiscal 2002, the Company has significantly increased the proportion of long-term debt to total debt such that at April 30, 2003 long-term debt represented 96.7% of total debt as compared to a ratio of 61.7% at May 2, 2001. Through the use of interest rate swaps, the Company has converted $2.55 billion of fixed rate debt to floating rates in order to maintain our desired mix of fixed and floating rate debt, while continuing to maintain long-term financing. The nature and amount of the Company's long-term and short-term debt as well as the proportionate amount of fixed-rate and floating-rate debt can be expected to vary as a result of future business requirements, market conditions and other factors.

As of April 30, 2003, the Company had repurchased a total of 15.4 million shares under the 20.0 million share repurchase program authorized by the Board of Directors in June 1999. However, in Fiscal 2003, the Company did not repurchase any shares of common stock. The Company may reissue repurchased shares upon the exercise of stock options, conversions of preferred stock and for general corporate purposes.

In Fiscal 2003, the cash requirements of the Del Monte transaction and costs to reduce overhead of the remaining businesses were approximately $138 million. In addition, approximately $104 million of cash was utilized to purchase assets under operating lease obligations which were transferred to Del Monte. Fiscal 2004 cash requirements related to the Del Monte transaction and costs to reduce overhead of the remaining businesses are expected to be approxi-

mately $50 million. In Fiscal 2003, the cash requirements of Streamline were $19.4 million, relating to severance and exit costs.

Commitments and Contingencies

The Company is obligated to make future payments under various contracts such as debt agreements, lease agreements and unconditional purchase obligations. The following table represents the significant contractual cash obligations of the Company as of April 30, 2003.

Contractual Cash Obligations	*Total*	*Due in 2004*	*Due in 2005*	*Due in 2006*	*Due in 2007*	*Due in 2008*	*Thereafter*
(In millions)							
Long-term debt (including capital leases of $54.4 million)	$4,489	$ 8	$397	$510	$ 8	$300	$3,266
Operating leases	508	67	54	43	156*	18	170
Total contractual cash obligations	$4,997	$75	$451	$553	$164	$318	$3,436

* Includes the purchase option related to certain warehouses and equipment currently utilized under synthetic leases.

The Company has purchase commitments for materials, supplies, services and property, plant and equipment as part of the ordinary conduct of business. A few of these commitments are long-term and are based on minimum purchase requirements. In the aggregate, such commitments are not at prices in excess of current markets. Due to the proprietary nature of some of the Company's materials and processes, certain supply contracts contain penalty provisions for early terminations. The Company does not believe that a material amount of penalties is reasonably likely to be incurred under these contracts based upon historical experience and current expectations.

The Company does not have material financial guarantees or other contractual commitments that are reasonably likely to adversely affect liquidity. In addition, the Company does not have any related party transactions that materially affect the results of operations, cash flow or financial condition.

Market Risk Factors

The Company is exposed to market risks from adverse changes in foreign exchange rates, interest rates, commodity prices and production costs. As a policy, the Company does not engage in speculative or leveraged transactions, nor does the Company hold or issue financial instruments for trading purposes.

Foreign Exchange Rate Sensitivity: The Company's cash flow and earnings are subject to fluctuations due to exchange rate variation. Foreign currency risk exists by nature of the Company's global operations. The Company manufactures and sells its products in a number of locations around the world, and hence foreign currency risk is diversified.

The Company may attempt to limit its exposure to changing foreign exchange rates through both operational and financial market actions. These actions may include entering into forward or option contracts to hedge existing exposures, firm commitments and forecasted transactions. The

instruments are used to reduce risk by essentially creating offsetting currency exposures. The following table presents information related to foreign currency contracts held by the Company:

(Dollars in millions)	*Aggregate Notional Amount* April 30, 2003	May 1, 2002	*Net Unrealized Gains/(Losses)* April 30, 2003	May 1, 2002
Purpose of Hedge:				
Intercompany cash flows	$ 95	$380	$0.8	$ 1.8
Forecasted purchases of raw materials and finished goods and foreign currency denominated obligations	470	335	0.5	(5.0)
Forecasted sales and foreign currency denominated assets	150	130	2.3	3.8
	$715	$845	$3.6	$ 0.6

As of April 30, 2003, the Company's contracts to hedge forecasted transactions mature within 24 months of the fiscal year-end. Contracts that meet qualifying criteria are accounted for as foreign currency cash flow hedges. Accordingly, the effective portion of gains and losses is deferred as a component of other comprehensive loss and is recognized in earnings at the time the hedged item affects earnings. Any gains and losses due to hedge ineffectiveness or related to contracts which do not qualify for hedge accounting are recorded in current period earnings in other income and expense.

Substantially all of the Company's foreign affiliates' financial instruments are denominated in their respective functional currencies. Accordingly, exposure to exchange risk on foreign currency financial instruments is not material. (See Note 13 to the consolidated financial statements.)

Interest Rate Sensitivity: The Company is exposed to changes in interest rates primarily as a result of its borrowing and investing activities used to maintain liquidity and fund business operations. The nature and amount of the Company's long-term and short-term debt can be expected to vary as a result of future business requirements, market conditions and other factors. The Company's net debt obligations totaled $3.8 billion and $5.1 billion at April 30, 2003 and May 1, 2002, respectively. The Company's debt obligations are summarized in Note 7 to the consolidated financial statements.

In order to manage interest rate exposure, the Company utilizes interest rate swaps under its fair value hedging strategy in order to convert fixed-rate debt to floating. Accordingly, changes in the fair value of these derivatives, along with changes in the fair value of the hedged debt obligations that are attributable to the hedged risk are recognized in current period earnings. Based on the amount of fixed-rate debt converted to floating as of April 30, 2003, a variance of ⅛% in the related interest rate would cause annual interest expense related to this debt to change by approximately $3.2 million. The following table presents additional information related to interest rate contracts designated as fair value hedges by the Company:

(Dollars in millions)	*April 30 ,2003*	*May 1, 2002*
Pay floating swaps — notional amount	$2,550.0	$2,050.0
Net unrealized gains	$ 294.8	$ 23.6
Average maturity (years)	14.1	16.4
Weighted average receive rate	6.47%	6.45%
Weighted average pay rate	2.32%	3.14%

At April 30, 2003, the Company also maintained interest rate swaps with a total notional amount of $400 million that do not meet the criteria for hedge accounting but effectively mitigate interest rate exposures. These swaps mature within 12 months and are accounted for on a full

mark-to-market basis through current earnings. Net unrealized gains related to these swaps totaled $2.1 million at April 30, 2003.

Commodity Price Sensitivity: The Company is the purchaser of certain commodities such as corn, soybean oil and soybean meal. The Company generally purchases these commodities based upon market prices that are established with the vendor as part of the purchase process. The Company may enter into commodity futures, swaps and option contracts to reduce the effect of price fluctuations on forecasted purchases. The Company held commodity contracts to hedge certain forecasted purchases with a notional amount of $21 million and $31 million at April 30, 2003 and May 1, 2002, respectively. Such contracts generally have a term of less than one year, and are accounted for as cash flow hedges if they meet certain qualifying criteria. Accordingly, the effective portion of gains and losses is deferred as a component of other comprehensive loss and is recognized as part of cost of products sold at the time the hedged item affects earnings. Any gains and losses due to hedge ineffectiveness or related to contracts which do not qualify for hedge accounting are recorded in current period earnings in other income and expense. Net unrealized losses related to commodity contracts held by the Company were not material at April 30, 2003 or May 1, 2002.

Effect of Hypothetical 10% Fluctuation in Market Prices: As of April 30, 2003, the potential gain or loss in the fair value of the Company's outstanding foreign currency contracts, interest rate contracts and commodity contracts assuming a hypothetical 10% fluctuation in currency rates, swap rates and market prices, respectively, would be approximately:

(Dollars in millions)	*Fair Value Effect*
Foreign currency contracts	$ 56
Interest rate swap contracts	$117
Commodity contracts	$ 2

However, it should be noted that any change in the fair value of the contracts, real or hypothetical, would be significantly offset by an inverse change in the value of the underlying hedged items. In relation to currency contracts, this hypothetical calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar.

Discussion of Significant Accounting Estimates

In the ordinary course of business, the Company has made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. The Company believes that the following discussion addresses the Company's most critical accounting policies, which are those that are most important to the portrayal of the Company's financial condition and results and require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Marketing Costs — Trade promotions are an important component of the sales and marketing of the Company's products, and are critical to the support of its business. Trade promotion costs include amounts paid to encourage retailers to offer temporary price reductions for the sale of the Company's products to consumers, amounts paid to obtain favorable display positions in retailers' stores, and amounts paid to customers for shelf space in retail stores. Accruals for trade promotions are recorded primarily at the time of sale of product to the customer based on expected levels of performance. Settlement of these liabilities typically occurs in subsequent periods primarily through an authorized process for deductions taken by a customer from amounts otherwise due to the Company. As a result, the ultimate cost of a trade promotion program is dependent on the relative success of the events and the actions and level of deductions taken by the Company's

customers for amounts they consider due to them. Final determination of the permissible deductions may take extended periods of time.

Inventories — Inventories are stated at the lower of cost or market value. Cost is principally determined by the average cost method. The Company records adjustments to the carrying value of inventory based upon its forecasted plans to sell its inventories. The physical condition (e.g., age and quality) of the inventories is also considered in establishing its valuation. These adjustments are estimates, which could vary significantly, either favorably or unfavorably, from actual requirements if future economic conditions, customer inventory levels or competitive conditions differ from our expectations.

Property, Plant and Equipment — Land, buildings and equipment are recorded at cost and are depreciated on a straight-line method over the estimated useful lives of such assets. Changes in circumstances such as technological advances, changes to the Company's business model or changes in the Company's capital strategy could result in the actual useful lives differing from the Company's estimates. In those cases where the Company determines that the useful life of buildings and equipment should be shortened, the Company would depreciate the net book value in excess of the salvage value, over its revised remaining useful life thereby increasing depreciation expense. Factors such as changes in the planned use of fixtures or software or closing of facilities could result in shortened useful lives.

Long-lived Assets — Long-lived assets including fixed assets and intangible assets with finite useful lives are evaluated periodically by the Company for impairment whenever events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable. If the sum of the undiscounted cash flows is less than the carrying value, the Company recognizes an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset. The estimate of cash flow requires significant management judgement and requires, among other things, certain assumptions about future volume, revenue and expense growth rates, foreign exchange rates, devaluation and inflation, and as such may differ from actual cash flows.

Goodwill and Indefinite Lived Intangibles — Carrying values of goodwill and intangible assets with indefinite lives are reviewed periodically for possible impairment in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets". The Company's impairment review is based on a discounted cash flow approach that requires significant management judgments similar to those noted above for long-lived assets, and to the selection of an appropriate discount rate. Impairment occurs when the carrying value of the reporting unit exceeds the discounted present value of the cash flows for that reporting unit. An impairment charge is recorded for the difference between the carrying value and the net present value of estimated future cash flows, which represents the estimated fair value of the asset. The Company uses its judgment in assessing whether assets may have become impaired between annual valuations. Indicators such as unexpected adverse economic factors, unanticipated technological change or competitive activities, loss of key personnel, acts by governments and courts, may signal that an asset has become impaired.

Retirement Benefits — The Company sponsors pension and other retirement plans in various forms covering substantially all employees who meet eligibility requirements. Several statistical and other factors that attempt to anticipate future events are used in calculating the expense and liability related to the plans. These factors include assumptions about the discount rate, expected return on plan assets, turnover rates and rate of future compensation increases as determined by the Company, within certain guidelines. The discount rate assumptions used to value pension and postretirement benefit obligations reflect the rates available on high quality fixed income investments available (in each country that the Company operates a benefit plan) as of the measurement date. The weighted average discount rate for the year ending April 30, 2003 was reduced to 5.9% from 6.6% as of May 1, 2002, and 6.7% as of May 2, 2001 reflecting the declining interest rate environment.

Over time, the expected rate of return on pension plan assets should approximate the actual long-term returns. In developing the expected rate of return, the Company considers actual real historic returns of asset classes, the investment mix of plan assets, investment manager performance and projected future returns of asset classes developed by respected consultants. The weighted average expected rate of return on plan assets was 8.9% for the year ending April 30, 2003 and 9.2% as of May 1, 2002. For purposes of calculating Fiscal 2004 expense, the weighted average rate of return will be reduced to approximately 8.2%.

In addition, the Company's actuarial consultants also use subjective factors such as withdrawal and mortality rates to estimate these factors. The actuarial assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of pension expense recorded by the Company.

Income Taxes — The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". Judgment is required in determining the Company's worldwide provision for income taxes. In the ordinary course of the Company's global business, there are many transactions for which the ultimate tax outcome is uncertain. The Company adjusts its income tax provision in the period it is probable that actual results will differ from its estimates. Tax law and rate changes are reflected in the income tax provision in the period in which such changes are enacted.

The Company records valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. When assessing the need for valuation allowances, the Company considers future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, the Company would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income.

Inflation

In general, costs are affected by inflation and the effects of inflation may be experienced by the Company in future periods. Management believes, however, that such effects have not been material to the Company during the past three years in the United States or foreign non-hyperinflationary countries. The Company operates in certain countries around the world, such as Argentina, Venezuela and Zimbabwe, that have experienced hyperinflation. In hyperinflationary foreign countries, the Company attempts to mitigate the effects of inflation by increasing prices in line with inflation, where possible, and efficiently managing its working capital levels.

The impact of inflation on both the Company's financial position and results of operations is not expected to adversely affect Fiscal 2004 results. The Company's financial position continues to remain strong, enabling it to meet cash requirements for operations, including anticipated additional pension plan contributions, capital expansion programs and dividends to shareholders.

Stock Market Information

H. J. Heinz Company common stock is traded principally on the New York Stock Exchange and the Pacific Exchange, under the symbol HNZ. The number of shareholders of record of the Company's common stock as of June 30, 2003 approximated 53,000. The closing price of the common stock on the New York Stock Exchange composite listing on April 30, 2003 was $29.88. The value of the SKF Foods stock that was distributed to shareholders on December 20, 2002 was estimated to be $3.45 immediately prior to the merger of SKF Foods with Del Monte.

Stock price information for common stock by quarter follows:

	Stock Price Range	
	High	*Low*
2003		
First	$43.19	$34.00
Second	39.50	30.31
Third	35.28	31.84
Fourth	32.31	29.05
2002		
First	$43.37	$39.01
Second	46.96	39.74
Third	43.30	38.12
Fourth	42.99	40.00

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

This information is set forth in this report in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 21 through 23.

Item 8. Financial Statements and Supplementary Data.

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Report of Independent Auditors

To the Shareholders of
H. J. Heinz Company:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of H. J. Heinz Company and its subsidiaries (the "Company") at April 30, 2003 and May 1, 2002, and the results of its operations and its cash flows for each of the three years in the period ended April 30, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for goodwill and other intangible assets in conformity with Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" which was adopted as of May 2, 2002.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
June 11, 2003

H. J. Heinz Company and Subsidiaries

Consolidated Statements of Income

	Fiscal year ended		
	April 30, 2003 (52 Weeks)	May 1, 2002 (52 Weeks)	May 2, 2001 (52 Weeks)
	(In thousands, except per share amounts)		
Sales	$8,236,836	$7,614,036	$6,987,698
Cost of products sold	5,304,362	4,858,087	4,407,267
Gross profit	2,932,474	2,755,949	2,580,431
Selling, general and administrative expenses	1,758,658	1,456,077	1,591,472
Operating income	1,173,816	1,299,872	988,959
Interest income	31,083	26,197	22,597
Interest expense	223,532	230,611	262,488
Other expense/(income), net	112,636	44,938	(5,358)
Income from continuing operations before income taxes and cumulative effect of change in accounting principle	868,731	1,050,520	754,426
Provision for income taxes	313,372	375,339	190,495
Income from continuing operations before cumulative effect of change in accounting principle	555,359	675,181	563,931
Income/(loss) from discontinued operations, net of tax	88,738	158,708	(70,638)
Income before cumulative effect of change in accounting principle	644,097	833,889	493,293
Cumulative effect of change in accounting principle	(77,812)	—	(15,281)
Net income	$ 566,285	$ 833,889	$ 478,012
Income Per Common Share:			
Diluted			
Continuing operations	$ 1.57	$ 1.91	$ 1.61
Discontinued operations	0.25	0.45	(0.20)
Cumulative effect of change in accounting principle	(0.22)	—	(0.05)
Net Income	$ 1.60	$ 2.36	$ 1.36
Average common shares outstanding—Diluted	354,144	352,872	351,041
Basic			
Continuing operations	$ 1.58	$ 1.93	$ 1.62
Discontinued operations	0.25	0.45	(0.21)
Cumulative effect of change in accounting principle	(0.22)	—	(0.04)
Net Income	$ 1.61	$ 2.38	$ 1.37
Average common shares outstanding—Basic	351,250	349,921	347,758
Cash dividends per share	$ 1.485	$ 1.6075	$ 1.545

See Notes to Consolidated Financial Statements.

H. J. Heinz Company and Subsidiaries

Consolidated Balance Sheets

	April 30, 2003	May 1, 2002
	(Dollars in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 801,732	$ 202,403
Receivables (net of allowances: 2003—$22,199 and 2002—$15,654)	1,165,460	1,232,388
Inventories:		
Finished goods and work-in-process	902,186	922,823
Packaging material and ingredients	250,767	274,099
Total inventories	1,152,953	1,196,922
Prepaid expenses	147,656	146,698
Other current assets	16,519	9,363
Current assets of discontinued operations	—	585,792
Total current assets	3,284,320	3,373,566
Property, plant and equipment:		
Land	61,870	57,135
Buildings and leasehold improvements	752,799	713,105
Equipment, furniture and other	2,598,184	2,431,280
	3,412,853	3,201,520
Less accumulated depreciation	1,454,987	1,292,408
Total property, plant and equipment, net	1,957,866	1,909,112
Other non-current assets:		
Goodwill	1,849,389	1,826,504
Trademarks, net	610,063	549,635
Other intangibles, net	134,897	142,076
Other non-current assets	1,388,216	1,116,338
Non-current assets of discontinued operations	—	1,361,123
Total other non-current assets	3,982,565	4,995,676
Total assets	$9,224,751	$10,278,354

See Notes to Consolidated Financial Statements.

H. J. Heinz Company and Subsidiaries

Consolidated Balance Sheets

	April 30, 2003	*May 1, 2002*
	(Dollars in thousands)	
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt	$ 146,838	$ 178,358
Portion of long-term debt due within one year	7,948	524,287
Accounts payable	938,168	882,826
Salaries and wages	43,439	34,355
Accrued marketing	201,945	155,094
Other accrued liabilities	387,130	431,000
Income taxes	200,666	191,091
Current liabilities of discontinued operations	—	112,158
Total current liabilities	1,926,134	2,509,169
Long-term debt and other liabilities:		
Long-term debt	4,776,143	4,642,968
Deferred income taxes	183,998	268,307
Non-pension postretirement benefits	192,663	187,275
Minority interest	415,559	440,648
Other	531,097	336,635
Non-current liabilities of discontinued operations	—	174,736
Total long-term debt and other liabilities	6,099,460	6,050,569
Shareholders' equity:		
Capital stock:		
Third cumulative preferred, $1.70 first series, $10 par value	106	110
Common stock, 431,096,485 shares issued, $0.25 par value	107,774	107,774
	107,880	107,884
Additional capital	376,542	348,605
Retained earnings	4,432,571	4,968,535
	4,916,993	5,425,024
Less:		
Treasury shares, at cost (79,647,881 shares at April 30, 2003 and 80,192,280 shares at May 1, 2002)	2,879,506	2,893,198
Unearned compensation	21,195	230
Accumulated other comprehensive loss	817,135	812,980
Total shareholders' equity	1,199,157	1,718,616
Total liabilities and shareholders' equity	$9,224,751	$10,278,354

See Notes to Consolidated Financial Statements.

H. J. Heinz Company and Subsidiaries
Consolidated Statements of Shareholders' Equity

	Comprehensive Income	Preferred Stock		Common Stock	
		Shares	Dollars	Shares	Dollars
	(Amounts in thousands, except per share amounts)				
Balance at May 3, 2000		14	$139	431,096	$107,774
Comprehensive income—2001:					
Net income—2001	$ 478,012				
Other comprehensive income (loss), net of tax:					
Minimum pension liability, net of $6,995 tax benefit	(11,909)				
Unrealized translation adjustments	(179,476)				
Cumulative effect of change in accounting for derivatives	(64)				
Net change in fair value of cash flow hedges	(1,669)				
Net hedging losses reclassified into earnings	595				
Comprehensive income	$ 285,489				
Cash dividends:					
Preferred @ $1.70 per share					
Common @ $1.545 per share					
Shares reacquired					
Conversion of preferred into common stock		(1)	(13)		
Stock options exercised, net of shares tendered for payment					
Unearned compensation amortization					
Other, net*					
Balance at May 2, 2001		13	126	431,096	107,774
Comprehensive income—2002:					
Net income—2002	$ 833,889				
Other comprehensive income (loss), net of tax:					
Minimum pension liability, net of $3,782 tax benefit	(6,440)				
Unrealized translation adjustments	30,824				
Net change in fair value of cash flow hedges	(3,270)				
Net hedging losses reclassified into earnings	3,194				
Comprehensive income	$ 858,197				
Cash dividends:					
Preferred @ $1.70 per share					
Common @ $1.6075 per share					
Shares reacquired					
Conversion of preferred into common stock		(2)	(16)		
Stock options exercised, net of shares tendered for payment					
Unearned compensation amortization					
Other, net*					
Balance at May 1, 2002		11	110	431,096	107,774
Comprehensive income—2003:					
Net income—2003	$ 566,285				
Other comprehensive income (loss), net of tax:					
Minimum pension liability, net of $186,595 tax benefit	(414,900)				
Unrealized translation adjustments	404,163				
Net change in fair value of cash flow hedges	24,265				
Net hedging gains reclassified into earnings/spun off	(17,683)				
Comprehensive income	$ 562,130				
Cash dividends:					
Preferred @ $1.70 per share					
Common @ $1.485 per share					
Conversion of preferred into common stock			(4)		
Stock options exercised, net of shares tendered for payment					
Spin off of SKF Foods					
Grant of restricted stock units, net of amortization					
Other, net*					
Balance at April 30, 2003		11	$106	431,096	$107,774
Authorized Shares—April 30, 2003		11		600,000	

* Includes activity of the Global Stock Purchase Plan.

See Notes to Consolidated Financial Statements.

Additional Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Dollars	Unearned Compensation	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
$304,318	$4,756,513	(83,653)	$(2,920,471)	$ (7,652)	$(644,765)	$1,595,856
	478,012					478,012
					(192,523)	(192,523)
	(22)					(22)
	(537,290)					(537,290)
		(2,325)	(90,134)			(90,134)
(446)		18	459			—
25,787†		3,389	76,737			102,524
				4,551		4,551
1,974		423	10,779			12,753
331,633	4,697,213	(82,148)	(2,922,630)	(3,101)	(837,288)	1,373,727
	833,889					833,889
					24,308	24,308
	(20)					(20)
	(562,547)					(562,547)
		(1,000)	(45,363)			(45,363)
(540)		22	556			—
13,660†		2,556	64,620			78,280
				2,871		2,871
3,852		378	9,619			13,471
348,605	4,968,535	(80,192)	(2,893,198)	(230)	(812,980)	1,718,616
	566,285					566,285
					(4,155)	(4,155)
	(19)					(19)
	(521,592)					(521,592)
(160)		6	164			—
838†		311	7,755			8,593
	(580,638)					(580,638)
26,117				(20,965)		5,152
1,142		227	5,773			6,915
$376,542	$4,432,571	79,648	$(2,879,506)	$(21,195)	$(817,135)††	$1,199,157

† Includes income tax benefit resulting from exercised stock options.
†† Comprised of unrealized translation adjustment of $(371,393), minimum pension liability of $(451,110) and deferred net gains on derivative financial instruments $5,368.

H. J. Heinz Company and Subsidiaries

Consolidated Statements of Cash Flows

	Fiscal year ended		
	April 30, 2003 (52 Weeks)	*May 1, 2002 (52 Weeks)*	*May 2, 2001 (52 Weeks)*
	(Dollars in thousands)		
Operating activities:			
Net income	$ 566,285	$ 833,899	$ 478,012
Net (income)/loss from discontinued operations	(88,738)	(158,708)	70,638
Net income from continuing operations	477,547	675,181	548,650
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	194,328	177,403	163,289
Amortization	20,434	65,445	56,288
Deferred tax provision	133,320	77,412	80,063
Loss on sale of The All American Gourmet business	—	—	94,600
Cumulative effect of changes in accounting principle	77,812	—	15,281
Benefit from tax planning and new tax legislation in Italy	—	—	(93,150)
Provision for transaction costs and restructuring	177,979	12,386	247,934
Other items, net	(133,696)	(121,288)	(69,363)
Changes in current assets and liabilities, excluding effects of acquisitions and divestitures:			
Receivables	53,177	(76,145)	(140,020)
Inventories	66,351	(110,537)	126,751
Prepaid expenses and other current assets	(13,337)	(31,982)	(22,466)
Accounts payable	(1,665)	(9,460)	(59,421)
Accrued liabilities	(171,793)	(39,857)	(370,868)
Income taxes	25,581	95,801	(317,612)
Cash provided by operating activities	906,038	714,359	259,956
Investing activities:			
Capital expenditures	(153,969)	(193,854)	(358,930)
Proceeds from disposals of property, plant and equipment	33,533	17,555	178,102
Acquisitions, net of cash acquired	(13,554)	(834,838)	(672,958)
Proceeds from divestitures	54,981	32,859	64,578
Proceeds from spin-off of SKF Foods	1,063,557	—	—
Purchases of short-term investments	—	—	(1,484,201)
Sales and maturities of short-term investments	—	17,314	1,493,091
Investment in The Hain Celestial Group, Inc.	—	—	(79,743)
Other items, net	(23,460)	(13,173)	(21,764)
Cash provided by/(used for) investing activities	961,088	(974,137)	(881,825)
Financing activities:			
Proceeds from long-term debt	—	2,009,111	1,536,744
Payments on long-term debt	(741,206)	(329,178)	(48,321)
(Payments on) proceeds from commercial paper and short-term debt, net	(176,214)	(1,270,984)	(680,858)
Proceeds from issuance of preferred stock of subsidiary	—	325,000	—
Dividends	(521,611)	(562,567)	(537,312)
Purchase of treasury stock	—	(45,363)	(90,134)
Exercise of stock options	7,495	63,731	93,901
Other items, net	14,994	(8,491)	9,077
Cash (used for)/provided by financing activities	(1,416,542)	181,259	283,097
Effect of exchange rate changes on cash and cash equivalents	46,517	(12,234)	(14,354)
Effect of discontinued operations	102,228	159,498	353,770
Net increase in cash and cash equivalents	599,329	68,745	644
Cash and cash equivalents at beginning of year	202,403	133,658	133,014
Cash and cash equivalents at end of year	$ 801,732	$ 202,403	$ 133,658

See Notes to Consolidated Financial Statements.

H. J. Heinz Company and Subsidiaries
Notes to Consolidated Financial Statements

1. Significant Accounting Policies

Fiscal Year:

H. J. Heinz Company (the "Company") operates on a 52- or 53-week fiscal year ending the Wednesday nearest April 30. However, certain foreign subsidiaries have earlier closing dates to facilitate timely reporting. Fiscal years for the financial statements included herein ended April 30, 2003, May 1, 2002, and May 2, 2001.

Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions are eliminated. Investments owned less than 50%, where significant influence exists, are accounted for on an equity basis. Certain prior-year amounts have been reclassified in order to conform with the Fiscal 2003 presentation.

On May 3, 2001, the Company reorganized its U.S. corporate structure by consolidating its U.S. business into two major entities: H. J. Heinz Finance Company ("Heinz Finance") manages treasury functions and H. J. Heinz Company, LP ("Heinz LP") owns or leases the operating assets and manages the U.S. business. Heinz Finance assumed primary liability for payment of the Company's outstanding senior unsecured debt and accrued interest by becoming a co-obligor with the Company. All the assets, liabilities, results of operations and cash flows of Heinz Finance and Heinz LP are included in the Company's consolidated financial statements.

Use of Estimates:

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Translation of Foreign Currencies:

For all significant foreign operations, the functional currency is the local currency. Assets and liabilities of these operations are translated at the exchange rate in effect at each year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included as a component of shareholders' equity. Gains and losses from foreign currency transactions are included in net income for the period.

Cash Equivalents:

Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less.

Inventories:

Inventories are stated at the lower of cost or market. Cost is determined principally under the average cost method.

Property, Plant and Equipment:

Land, buildings and equipment are recorded at cost. For financial reporting purposes, depreciation is provided on the straight-line method over the estimated useful lives of the assets. Accelerated depreciation methods are generally used for income tax purposes. Expenditures for new facilities and improvements that substantially extend the capacity or useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. When property is retired or otherwise disposed, the cost and related depreciation are removed from the accounts and any related gains or losses are included in income. Property, plant and equipment are reviewed periodically for possible impairment. The Company's impairment review is based on an undiscounted cash flow analysis at the lowest level for which identifiable cash flows exist. Impairment occurs when the carrying value of the asset exceeds the future undiscounted cash flows. When an impairment is indicated, the asset is written down to its fair value.

Intangibles:

Intangible assets with finite useful lives are amortized on a straight-line basis over the estimated periods benefited, and are reviewed periodically for possible impairment, similar to property, plant and equipment. Goodwill and intangible assets with indefinite useful lives are not amortized. Prior to 2002, goodwill and intangible assets with indefinite useful lives were amortized over periods not exceeding 40 years. The carrying values of goodwill and other intangible assets with indefinite useful lives are tested at least annually for impairment.

Revenue Recognition:

The Company recognizes revenue when title, ownership and risk of loss pass to the customer.

Advertising Expenses:

Advertising costs are expensed in the year in which the advertising first takes place.

Income Taxes:

Deferred income taxes result primarily from temporary differences between financial and tax reporting. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

The Company has not provided for possible U.S. taxes on the undistributed earnings of foreign subsidiaries that are considered to be reinvested indefinitely. Calculation of the unrecognized deferred tax liability for temporary differences related to these earnings is not practicable. Where it is contemplated that earnings will be remitted, credit for foreign taxes already paid generally will offset applicable U.S. income taxes. In cases where they will not offset U.S. income taxes, appropriate provisions are included in the consolidated statements of income.

Stock-Based Employee Compensation Plans:

Stock-based compensation is accounted for by using the intrinsic value-based method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized for the Company's stock option plans. If the Company had elected to recognize compensation cost based on the

fair value of the options granted at grant date as prescribed by SFAS No. 123, income and earnings per share from continuing operations before cumulative effect of change in accounting principle would have been reduced to the pro forma amounts indicated below:

	Fiscal year ended		
	April 30, 2003 (52 Weeks)	*May 1, 2002 (52 Weeks)*	*May 2, 2001 (52 Weeks)*
	(Dollars in thousands, except per share amounts)		
Pro forma income from continuing operations before cumulative effect of change in accounting principle	$529,250	$631,827	$526,519
Pro forma diluted income per common share from continuing operations before cumulative effect of change in accounting principle	$ 1.49	$ 1.79	$ 1.51
Pro forma basic income per common share from continuing operations before cumulative effect of change in accounting principle	$ 1.51	$ 1.81	$ 1.51

The weighted-average fair value of options granted was $6.86 per share in Fiscal 2003, $8.54 per share in Fiscal 2002 and $8.46 per share in Fiscal 2001.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2003	*2002*	*2001*
Dividend yield	4.3%	3.9%	3.8%
Volatility	25.2%	23.3%	23.5%
Risk-free interest rate	4.0%	4.6%	6.0%
Expected term (years)	6.5	6.5	6.5

Financial Instruments:

The Company's financial instruments consist primarily of cash and cash equivalents, short-term and long-term debt, swaps, forward contracts, commodity futures, and option contracts. The carrying values for the Company's financial instruments approximate fair value with the exception at times of long-term debt. As of April 30, 2003 and May 1, 2002, the fair value of debt obligations approximated the recorded value. As a policy, the Company does not engage in speculative or leveraged transactions, nor does the Company hold or issue financial instruments for trading purposes.

The Company uses derivative financial instruments for the purpose of hedging currency, price, and interest rate exposures, which exist as part of ongoing business operations. The Company carries derivative instruments on the balance sheet at fair value, determined by reference to quoted market prices. Interest rate swaps designated as fair value hedges are presented as a component of other non-current assets. All other derivatives are included in receivables or accounts payable, based on the instrument's fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it. The cash flows related to derivative instruments are classified in the consolidated statements of cash flows within operating activities as a component of other items, net.

2. Recently Issued Accounting Standards:

In Fiscal 2001, the Company changed its method of accounting for revenue recognition in accordance with Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." Under the new accounting method, adopted retroactive to May 4, 2000, Heinz recognizes revenue upon the passage of title, ownership and risk of loss to the customer. The cumulative effect of the change on prior years resulted in a charge to income in Fiscal 2001 of $14.8 million (net of income taxes of $9.3 million). The change did not have a significant effect on revenues or results of operations for the year ended May 2, 2001.

Effective May 2, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." Under this standard, goodwill and intangibles with indefinite useful lives are no longer amortized. This standard also requires, at a minimum, an annual impairment assessment of the carrying value of goodwill and intangibles with indefinite useful lives. The reassessment of intangible assets, including the ongoing impact of amortization, and the assignment of goodwill to reporting units was completed during the first quarter of Fiscal 2003.

The Company completed its transitional goodwill impairment tests during the second quarter of Fiscal 2003 and, as a result, recorded a transitional impairment charge that was calculated as of May 2, 2002, and recorded as an effect of a change in accounting principle for Fiscal 2003, of $77.8 million. There was no tax effect associated with this charge. The charge, which relates to certain of the Company's reporting units, has been reflected in its segments as follows: Europe $54.6 million, Asia/Pacific $2.7 million, and Other Operating Entities $20.5 million.

The transitional impairment charge resulted from application of the new impairment methodology introduced by SFAS No. 142. Previous accounting rules incorporated a comparison of carrying value to undiscounted cash flows, whereas new rules require a comparison of carrying value to discounted cash flows, which are lower. Under previous requirements, no goodwill impairment would have been recorded on May 2, 2002.

The effects of adopting the new standards on net income and diluted earnings per share are as follows:

	Fiscal Year Ended					
	Net income			*Diluted EPS*		
	2003	*2002*	*2001*	*2003*	*2002*	*2001*
	(Thousands of dollars)					
Net income before effect of change in accounting principle	$644,097	$833,889	$494,918	$ 1.82	$2.36	$1.41
Add: Goodwill amortization	—	53,775	44,902	—	0.16	0.13
Trademark amortization	—	8,520	8,332	—	0.02	0.02
Adjusted net income before effect of change in accounting principle	644,097	896,184	548,152	1.82	2.54	1.56
Effect of change in accounting principle	(77,812)	—	(16,906)	(0.22)	—	(0.05)
Adjusted net income	$566,285	$896,184	$531,246	$ 1.60	$2.54	$1.51

Income from continuing operations for Fiscal 2002 and 2001 would have been $720.4 million and $583.7 million ($0.13 and $0.10 per share higher) respectively, had the provisions of the new standards been applied as of May 4, 2000.

Changes in the carrying amount of goodwill for the fiscal year ended April 30, 2003, by reportable segment, are as follows:

	Heinz North America	*U.S. Frozen*	*Europe*	*Asia / Pacific*	*Other Operating Entities*	*Total*
			(Thousands of dollars)			
Balance at May 1, 2002	$581,261	$471,351	$639,465	$109,613	$24,814	$1,826,504
Acquisition/(disposal)	(5,564)	—	—	9,704	(1,810)	2,330
Effect of change in accounting principle	—	—	(54,533)	(2,737)	(20,542)	(77,812)
Purchase accounting reclassifications	1,741	5,394	(32,144)	—	—	(25,009)
Translation adjustments	3,975	—	98,400	24,309	7	126,691
Other	(728)	(1,280)	(3,973)	2,312	354	(3,315)
Balance at April 30, 2003	$580,685	$475,465	$647,215	$143,201	$ 2,823	$1,849,389

Trademarks and other intangible assets at April 30, 2003 and May 1, 2002, subject to amortization expense, are as follows:

	April 30, 2003			*May 1, 2002*		
	Gross	*Accum Amort*	*Net*	*Gross*	*Accum Amort*	*Net*
			(Thousands of dollars)			
Trademarks	$191,832	$ (55,691)	$136,141	$179,496	$ (28,238)	$151,258
Licenses	208,186	(112,617)	95,569	208,186	(106,730)	101,456
Other	96,938	(57,610)	39,328	87,941	(47,321)	40,620
	$496,956	$(225,918)	$271,038	$475,623	$(182,289)	$293,334

Amortization expense for trademarks and other intangible assets subject to amortization was $20.4 million for the fiscal year ended April 30, 2003. Based upon the amortizable intangible assets recorded on the balance sheet as of April 30, 2003, amortization expense for each of the next five fiscal years is estimated to be approximately $20.0 million.

Intangible assets not subject to amortization at April 30, 2003 and May 1, 2002, were $473.9 million and $398.4 million, respectively, and consisted solely of trademarks.

Effective May 2, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 provides updated guidance concerning the recognition and measurement of an impairment loss for certain types of long-lived assets, expands the scope of a discontinued operation to include a component of an entity and eliminates the current exemption to consolidation when control over a subsidiary is likely to be temporary. The adoption of this new standard did not have a material impact on the Company's financial position, results of operations or cash flows for the fiscal year ended April 30, 2003.

During Fiscal 2003, the Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This Statement also establishes that fair value is the objective for initial measurement of the liability.

During Fiscal 2003, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." Interpretation No. 45

elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued, and it requires the recognition of a liability at fair value by a guarantor at the inception of a guarantee. The initial recognition and measurement provisions of FIN 45 are effective on a prospective basis for all guarantees issued or modified after December 31, 2002. The Company has not issued or modified any material guarantees since December 31, 2002.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of FASB Statement No. 123". SFAS No. 148 provides alternative methods of transitions for entities that voluntarily change to the fair value method of accounting for stock-based employee compensation, and it also amends the disclosure provisions of SFAS No. 123 to require disclosure about the effects of an entity's accounting policy decisions with respect to stock-based employee compensation in both annual and interim financial reporting. The disclosure provisions of SFAS No. 148 were effective for the Company at April 30, 2003.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This statement affects the classification, measurement and disclosure requirements of certain freestanding financial instruments including mandatorily redeemable shares. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective for the Company for the second quarter of Fiscal 2004. The adoption of SFAS No. 150 will require the reclassification of the Company's $325 million of mandatorily redeemable preferred shares from minority interest to long-term debt on the consolidated balance sheet and the $20.2 million annual preferred dividend from other expenses, net to interest expense on the consolidated statement of income with no resulting effect on the Company's profitability.

3. Discontinued Operations And Spin-Off

On December 20, 2002, Heinz transferred to a wholly-owned subsidiary ("SKF Foods") certain assets and liabilities, including its U.S. and Canadian pet food and pet snacks, U.S. tuna, U.S. retail private label soup and private label gravy, *College Inn* broths and its U.S. infant feeding businesses and distributed all of the shares of SKF Foods common stock on a pro rata basis to its shareholders. Immediately thereafter, SKF Foods merged with a wholly-owned subsidiary of Del Monte Foods Company ("Del Monte") resulting in SKF Foods becoming a wholly-owned subsidiary of Del Monte ("the Merger").

In accordance with accounting principles generally accepted in the United States of America, the operating results and net assets related to these businesses spun off to Del Monte have been included in discontinued operations in the Company's consolidated statements of income and consolidated balance sheets. Discontinued operations for the fiscal years ended April 30, 2003, and May 1, 2002, represent operating results for eight and twelve months respectively. The net assets distributed to Heinz shareholders have been treated as a dividend and charged to retained earnings.

The discontinued operations generated sales of $1,091.3 million, $1,817.0 million and $1,833.2 million and net income of $88.7 million (net of $35.4 million in tax), net income of $158.7 million (net of $69.4 million in tax) and a net loss of $70.6 million (net of $12.4 million of a tax benefit) for the fiscal years ended April 30, 2003, May 1, 2002, and May 2, 2001, respectively.

Net assets related to discontinued operations of $1,660.0 million are reported on the May 1, 2002 consolidated balance sheet. These assets consist of the following:

(Thousands of dollars)	May 1, 2002
Receivables	$ 216,759
Inventories	330,632
Property, plant and equipment, net	340,962
Intangibles	971,860
Other assets	86,702
Total assets	1,946,915
Accounts payable	55,657
Other accrued liabilities	56,501
Other long-term liabilities	174,736
Total liabilities	286,894
Net Assets	$1,660,021

4. Acquisitions/Divestitures

All of the following acquisitions have been accounted for as purchases and, accordingly, the respective purchase prices have been allocated to the respective assets and liabilities based upon their estimated fair values as of the acquisition date. Operating results of businesses acquired have been included in the consolidated statements of income from the respective acquisition dates forward. There are no significant contingent payments, options or commitments associated with any of the acquisitions.

Pro forma results of the Company, assuming all of the following acquisitions and divestitures had occurred at the beginning of each period presented, would not be materially different from the results reported.

Fiscal 2003:

In Fiscal 2003 there were no significant acquisitions or divestitures.

Fiscal 2002:

The Company acquired the following businesses for a total of $837.3 million, which was paid primarily in cash, including obligations to sellers of $2.5 million:

- In July 2001, the Company completed the acquisition of Borden Food Corporation's pasta sauce, dry bouillon and soup business including such brands as *Classico* pasta sauces, *Aunt Millie's* pasta sauce, *Mrs. Grass Recipe* soups and *Wyler's* bouillons and soups.
- In August 2001, the Company completed the acquisition of Delimex Holdings, Inc., a leading maker of frozen Mexican food products such as taquitos, quesadillas, tamales and rice bowls.
- In September 2001, the Company completed the acquisition of Anchor Food Products branded retail business, which includes the retail licensing rights to the *T.G.I. Friday's* brand of frozen snacks and appetizers and the *Poppers* brand of retail appetizer lines.
- The Company also made other smaller acquisitions.

The allocations of the purchase price resulted in goodwill of $588.5 million, which was assigned to the U.S. Frozen segment ($380.7 million) and the Heinz North America segment ($207.8 million). Of that amount, $375.3 million is expected to be deductible for tax purposes. In addition, $192.1 million of intangible assets were acquired, of which $97.2 million was assigned to brands and trademarks that are not subject to amortization. The remaining $94.9 million of acquired intangible assets has a weighted-average useful life of approximately 27 years. The intangible assets that make up that amount include brands and trademarks of $39.1 million (38-year weighted-average useful life), licensing agreements of $45.8 million (20-year weighted-average useful life) and patents of $10.0 million (18-year weighted-average useful life).

Fiscal 2001:

The Company acquired businesses for a total of $678.4 million, including obligations to sellers of $5.5 million. The allocations of the purchase price resulted in goodwill of $478.6 million and trademarks and other intangible assets of $117.4 million.

On February 28, 2001, the Company completed the acquisition of the CSM Food Division of CSM Nederland NV, one of the leading food companies in the Benelux (Belgium, the Netherlands, Luxembourg) region which includes the following brands: *Honig* brand of soups, sauces and pasta meals; *HAK* brand vegetables packed in glass; *KDR (Koninklijke de Ruijter)* brand sport drinks and fortified juices; and *KDR* brand spreads and sprinkles, which are traditional toppings for breakfast breads and toasts.

On March 1, 2001, the Company acquired two privately held U.S. foodservice companies: Cornucopia, Inc. of Irvine, California, and Central Commissary, Inc. of Phoenix, Arizona. Both companies make and market refrigerated and frozen reciped food products. Also during Fiscal 2001, the Company completed the acquisitions of IDF Holdings, Inc., the parent of International DiverseFoods Inc., a leading manufacturer of customized dressings, sauces, mixes and condiments for restaurant chains and foodservice distributors, and Alden Merrell Corporation, a manufacturer of high-quality, premium-priced frozen desserts for casual dining restaurants and foodservice distributors. The Company also made other smaller acquisitions.

On February 9, 2001, the Company announced it had sold The All American Gourmet business and its *Budget Gourmet* and *Budget Gourmet Value Classics* brands of frozen entrees for $55.0 million. The transaction resulted in a pretax loss of $94.6 million ($66.2 million after-tax). During Fiscal 2001, the Company also made other smaller divestitures.

5. Special Items

Del Monte and Other Reorganization Costs

In Fiscal 2003, Del Monte transaction costs and costs to reduce overhead of the remaining business totaled $164.6 million pretax ($113.1 million after-tax) and were comprised of $61.8 million for legal, professional and other related costs, $51.3 million in employee termination and severance costs, $39.6 million related to the early retirement of debt, and $12.0 million in non-cash asset write-downs. Of this amount, $6.1 million was included in cost of products sold, $118.9 million in selling, general and administrative expenses ("SG&A"), and $39.6 million in other expense, net.

Additionally in Fiscal 2003, losses on the exit of non-strategic businesses, primarily the UK frozen pizza business and a North American fish and frozen vegetable business, totaled $62.4 million pretax ($49.3 million after-tax), and were comprised of $39.7 million in non-cash asset write-downs, $12.1 million in losses on the sale of businesses and $10.6 million in employee

termination, severance and other exit costs. Of these amounts, $47.3 million was included in cost of products sold and $15.1 million in SG&A. As of April 30, 2003, $46.2 million was included in accrued expenses related to Del Monte and other reorganization costs.

Streamline

In the fourth quarter of Fiscal 2001, the Company announced a restructuring initiative named "Streamline". This initiative included a worldwide organizational restructuring aimed at reducing overhead costs and was completed in the first half of Fiscal 2003.

During Fiscal 2003, the Company utilized $19.4 million of severance and exit accruals, principally related to its global overhead reduction plan, primarily in Europe and North America. In addition, as a result of the spin off of SKF Foods, a $3.4 million restructuring liability related to ceasing canned pet food production at the Company's Terminal Island, California facility was transferred to Del Monte.

During the first quarter of Fiscal 2002, the Company recognized restructuring and implementation charges totaling $8.3 million pretax ($6.1 million after-tax). In the fourth quarter of Fiscal 2002, the Company recorded a net charge of $4.1 million pretax ($2.8 million after-tax) to reflect revisions in original cost estimates. This charge was primarily a result of higher than expected severance costs (primarily in Europe and the U.S.). Total Fiscal 2002 pretax charges of $3.8 million were classified as cost of products sold and $8.6 million as SG&A.

During Fiscal 2001, the Company recognized restructuring charges and implementation costs totaling $101.4 million pretax ($69.0 million after-tax), which primarily include severance costs and were all classified as SG&A. Implementation costs were recognized as incurred in Fiscal 2002 ($2.6 million pretax) and Fiscal 2001 ($1.8 million pretax) and consist of incremental costs directly related to the implementation of the Streamline initiative.

Operation Excel

In Fiscal 1999, the Company announced a growth and restructuring initiative named "Operation Excel." This initiative was a multi-year, multi-faceted program that established manufacturing centers of excellence, focused the product portfolio, realigned the Company's management teams and invested in growth initiatives. The Company substantially completed Operation Excel in Fiscal 2002.

During Fiscal 2001, the Company recognized restructuring charges of $12.1 million pretax ($7.7 million after-tax). These charges were primarily associated with higher than originally expected severance costs associated with creating the single North American Grocery & Foodservice headquarters in Pittsburgh, Pennsylvania. Of this charge, $9.7 million was recorded in cost of products sold and $2.4 million in SG&A. This charge was offset by reversals of unutilized Operation Excel accruals and asset write-downs of $68.4 million pretax ($52.3 million after-tax), $36.0 million of which were recorded in cost of products sold and $32.3 million in SG&A and were primarily the result of lower than expected lease termination costs related to exiting the Company's fitness business, revisions in estimates of fair values of assets which were disposed of as part of Operation Excel, and the Company's decision not to transfer certain European baby food production. Implementation costs of $202.8 million pretax ($135.8 million after-tax) were also recognized in Fiscal 2001, of which $100.2 million was recorded in cost of products sold and $102.6 million in SG&A.

6. Income Taxes

The following table summarizes the provision/(benefit) for U.S. federal, state and foreign taxes on income from continuing operations.

	2003	2002	2001
	(Dollars in thousands)		
Current:			
U.S. federal	$ (1,701)	$133,428	$ 85,782
State	9,218	5,857	(17,379)
Foreign	172,535	158,642	42,029
	180,052	297,927	110,432
Deferred:			
U.S. federal	89,111	27,617	39,571
State	3,721	217	4,434
Foreign	40,488	49,578	36,058
	133,320	77,412	80,063
Provision for income taxes	$313,372	$375,339	$190,495

Tax expense resulting from allocating certain tax benefits directly to additional capital was $1.1 million in Fiscal 2003, $15.1 million in Fiscal 2002, and $12.5 million in Fiscal 2001.

The components of income from continuing operations before income taxes consist of the following:

	2003	2002	2001
	(Dollars in thousands)		
Domestic	$139,669	$ 375,325	$191,223
Foreign	729,062	675,195	563,203
From continuing operations	$868,731	$1,050,520	$754,426

The differences between the U.S. federal statutory tax rate and the Company's consolidated effective tax rate on continuing operations are as follows:

	2003	2002	2001
U.S. federal statutory tax rate	35.0%	35.0%	35.0%
Tax on income of foreign subsidiaries	(4.2)	(1.7)	(4.1)
State income taxes (net of federal benefit)	1.2	0.3	(0.9)
Earnings repatriation	0.8	1.0	5.7
Foreign losses	0.7	(0.3)	1.4
Tax law changes	(0.5)	—	(12.2)
Other	3.1	1.4	0.4
Effective tax rate	36.1%	35.7%	25.3%

The Fiscal 2001 effective tax rate was favorably impacted by the recognition of a tax benefit of $93.2 million related to new tax legislation enacted in Italy. The Fiscal 2003, 2002 and 2001 effective tax rates were unfavorably impacted by restructuring and related costs expected to be realized in lower tax rate jurisdictions and by nondeductible expenses related to the restructurings.

The deferred tax (assets) and deferred tax liabilities related to continuing operations recorded on the consolidated balance sheets as of April 30, 2003 and May 1, 2002 are as follows:

	2003	2002
	(Dollars in thousands)	
Depreciation/amortization	$380,432	$310,633
Benefit plans	2,835	62,061
Other	81,746	70,003
	465,013	442,697
Provision for estimated expenses	(25,601)	(1,388)
Operating loss carryforwards	(43,653)	(38,829)
Benefit plans	(179,120)	(127,282)
Tax credit carryforwards	(31,431)	(70,657)
Other	(102,126)	(119,022)
	(381,931)	(357,178)
Valuation allowance	62,754	100,358
Net deferred tax liabilities	$145,836	$185,877

At the end of Fiscal 2003, net operating loss carryforwards totaled $128.9 million. Of that amount, $67.9 million expire through 2027; the other $61.0 million do not expire. Foreign tax credit carryforwards total $31.4 million and expire through 2007.

The Company's consolidated United States income tax returns have been audited by the Internal Revenue Service for all years through 1994. The Company has retained responsibility for all income tax matters related to the spun-off businesses prior to December 20, 2002.

Undistributed earnings of foreign subsidiaries considered to be reinvested permanently amounted to $2.15 billion at April 30, 2003.

The Fiscal 2003 net change in valuation allowance for deferred tax assets was a decrease of $37.6 million, due principally to a reduction of deferred tax assets related to foreign tax credit carryforwards.

7. Debt

Short-term debt consisted of bank debt and other borrowings of $146.8 million and $178.4 million as of April 30, 2003 and May 1, 2002, respectively. The weighted average interest rate was 5.2% and 6.4% for Fiscal 2003 and Fiscal 2002, respectively.

In September 2001, the Company and Heinz Finance entered into a 364-Day Credit Agreement, which was renewed in September 2002, and a Five-Year Credit Agreement, expiring in September 2006. The 364-day agreement permits the Company and Heinz Finance to borrow up to $800 million. The five-year agreement permits the Company and Heinz Finance to borrow up to $1.5 billion. These agreements support the Company's commercial paper borrowings and the remarketable securities. As a result, these borrowings are classified as long-term debt based upon

the Company's ability to refinance these borrowings on a long-term basis. Long-term debt was comprised of the following as of April 30, 2003 and May 1, 2002:

	2003	2002
	(Dollars in thousands)	
Commercial paper	$ —	$ 119,117
6.875% U.S. Dollar Notes due January 2003	—	199,963
5.75% U.S. Dollar Notes due February 2003	—	249,794
5.00% Euro Notes due January 2005	335,621	272,051
6.85% New Zealand Dollar Notes due February 2005	50,400	40,302
5.125% Euro Notes due April 2006	501,897	407,790
6.00% U.S. Dollar Notes due March 2008	299,022	298,823
6.625% U.S. Dollar Notes due July 2011	749,142	749,038
6.00% U.S. Dollar Notes due March 2012	695,427	694,909
U.S. Dollar Remarketable Securities due November 2020	800,000	1,000,000
6.375% U.S. Dollar Debentures due July 2028	243,074	242,799
6.25% British Pound Notes due February 2030	198,314	181,164
6.75% U.S. Dollar Notes due March 2032	547,316	547,223
Other U.S. Dollar due October 2016 — November 2034 (3.39-14.2%)	18,479	24,618
Other Non-U.S. Dollar due December 2003 — March 2022 (2.85-11.0%)	50,597	116,114
	4,489,289	5,143,705
SFAS 133 Hedge Accounting Adjustments (See Note 13)	294,802	23,550
Less portion due within one year	(7,948)	(524,287)
Total long-term debt	$4,776,143	$4,642,968
Weighted-average interest rate on long-term debt, including the impact of applicable interest rate swaps	4.25%	4.65%

The fair value of the debt obligations approximated the recorded value as of April 30, 2003 and May 1, 2002. Annual maturities of long-term debt during the next five fiscal years are $7.9 million in 2004, $397.1 million in 2005, $509.8 million in 2006, $8.2 million in 2007 and $300.3 million in 2008.

In March 2002, Heinz Finance issued $700 million of 6% Notes due 2012 and $550 million of 6.75% Notes due 2032. The notes are guaranteed by the Company and the proceeds were used to retire commercial paper. The notes together with Heinz Finance's $750 million 6.625% Notes due 2011 were initially privately placed in reliance on exemptions from registration under the Securities Act of 1933. In March 2003, Heinz Finance exchanged new debt securities for these initial debt securities, with the new debt securities being substantially identical in all respects to the initial debt securities, except for being registered under the Securities Act of 1933.

As of April 30, 2003, the Company had $800 million of remarketable securities due November 2020. These securities are subject to an annual remarketing on each November 15, and the interest rate is reset on such dates. If the securities are not remarketed, then the Company is required to repurchase all of the securities at 100% of the principal amount plus accrued interest. On November 15, 2002, the securities were remarketed at an effective yield to the Company of 6.56%.

In Fiscal 2003, the Company used part of the proceeds from the Del Monte transaction to retire the following long-term debt:

	(Dollars in Thousand)
6.875% U.S. Dollar Notes due January 2003	$200,000
5.75% U.S. Dollar Notes due February 2003	$250,000
Remarketable Securities due November 2020	$200,000

In connection with the early retirement of a portion of the Remarketable Securities due November 2020, the Company recorded a $39.6 million pretax charge in other expenses, net in the consolidated statement of income.

8. Shareholders' Equity

Capital Stock:

The preferred stock outstanding is convertible at a rate of one share of preferred stock into 15 shares of common stock. The Company can redeem the stock at $28.50 per share.

As of April 30, 2003, there were authorized, but unissued, 2,200,000 shares of third cumulative preferred stock for which the series had not been designated.

Employee Stock Ownership Plan ("ESOP"):

The Company established an ESOP in 1990 to replace in full or in part the Company's cash-matching contributions to the H. J. Heinz Company Employees Retirement and Savings Plan, a 401(k) plan for salaried employees. Matching contributions to the 401(k) plan are based on a percentage of the participants' contributions, subject to certain limitations.

Global Stock Purchase Plan ("GSPP"):

On September 8, 1999, the shareholders authorized the GSPP which provides for the purchase by employees of up to 3,000,000 shares of the Company's stock through payroll deductions. Employees who choose to participate in the plan receive an option to acquire common stock at a discount. The purchase price per share is the lower of 85% of the fair market value of the Company's stock on the first or last day of a purchase period. During Fiscal 2003, employees purchased 217,235 shares under this plan.

Pension Obligation:

The Company made cash contributions to its pension plans totaling $224 million compared to $111 million in Fiscal 2002. In addition the Company recorded an additional minimum liability of $451.1 million as of April 30, 2003.

9. Supplemental Cash Flows Information

	2003	2002	2001
	(Dollars in thousands)		
Cash Paid During the Year For:			
Interest	$ 282,366	$290,513	$298,761
Income taxes	$ 155,843	$180,757	$456,279
Details of Acquisitions:			
Fair value of assets	$ 30,391	$889,440	$819,163
Liabilities*	11,489	52,615	136,358
Cash paid	18,902	836,825	682,805
Less cash acquired	5,348	1,987	9,847
Net cash paid for acquisitions	$ 13,554	$834,838	$672,958
Noncash activities:			
Net assets spun-off	$1,644,195	$ —	$ —

* Includes obligations to sellers of $2.5 million and $5.5 million in 2002 and 2001, respectively.

10. Employees' Stock Option Plans and Management Incentive Plans

Under the Company's stock option plans, officers and other key employees may be granted options to purchase shares of the Company's common stock. Generally, the option price on outstanding options is equal to the fair market value of the stock at the date of grant. Options are generally exercisable beginning from one to three years after date of grant and have a maximum term of 10 years. In Fiscal 1998, in order to place greater emphasis on creation of shareholder value, performance-accelerated stock options were granted to certain key executives. These options vest eight years after the grant date, subject to acceleration if predetermined share price goals are achieved.

Data regarding the Company's stock option plans follows:

	Shares	Weighted-Average Exercise Price
Shares under option May 3, 2000	29,718,282	$38.29
Options granted	4,806,600	37.19
Options exercised	(3,395,874)	26.69
Options surrendered	(887,663)	51.27
Shares under option May 2, 2001	30,241,345	39.04
Options granted	4,712,000	43.16
Options exercised	(2,555,999)	24.93
Options surrendered	(1,088,250)	51.01
Shares under option May 1, 2002	31,309,096	40.39
Options granted	3,711,410	35.43
Options exercised	(311,376)	33.03
Options surrendered	(402,306)	42.75
Spin off of SKF Foods	3,594,203	—
Shares under option April 30, 2003	37,901,027	$36.02
Options exercisable at:		
May 2, 2001	15,350,907	$33.00
May 1, 2002	19,087,840	38.40
April 30, 2003	21,234,857	34.87

The following summarizes information about shares under option in the respective exercise price ranges at April 30, 2003:

	Options Outstanding			*Options Exercisable*	
Range of Exercise Price Per Share	*Number Outstanding*	*Weighted-Average Remaining Life (Years)*	*Weighted-Average Remaining Exercise Price Per Share*	*Number Exercisable*	*Weighted-Average Exercise Price*
$19.90–33.11	14,385,032	4.2	$27.08	10,374,945	$25.18
33.33–46.91	17,468,255	6.7	38.30	7,353,171	41.18
47.41–54.00	6,047,740	5.1	50.67	3,506,741	50.30
	37,901,027	5.5	$36.02	21,234,857	$34.87

The shares authorized but not granted under the Company's stock option plans were 21,531,043 at April 30, 2003 and 7,840,147 at May 1, 2002. Common stock reserved for options totaled 59,432,070 at April 30, 2003 and 39,149,243 at May 1, 2002.

The Company's management incentive plan covers officers and other key employees. Participants may elect to be paid on a current or deferred basis. The aggregate amount of all awards may not exceed certain limits in any year. Compensation under the management incentive plans was approximately $19 million in Fiscal 2003, $21 million in Fiscal 2002 and $20 million in Fiscal 2001.

Restricted Stock Units

On September 12, 2002, the shareholders of the Company approved the "Fiscal Year 2003 Stock Incentive Plan", which permits the issuance of Restricted Stock Units ("RSUs") to employees with vesting periods between one and five years depending on the achievement of predefined goals. Upon vesting, the RSUs are converted into shares of the Company's common stock on a one-for-one basis and issued to the employees.

In Fiscal 2003, the Company granted 882,071 RSUs to employees, of which 7,731 were forfeited pursuant to the terms of the awards and 91,909 cancelled as a result of the spin-off of SKF Foods. At April 30, 2003, 782,431 RSUs remain outstanding.

RSUs are awarded to employees at a grant price equal to the fair market value of the Company's stock on the date of grant. The fair value of the awards granted has been recorded as unearned compensation and is shown as a separate component of shareholders' equity. The Company recognized amortization related to the unearned compensation of $5.8 million during the fiscal year.

11. Retirement Plans

The Company maintains retirement plans for the majority of its employees. Current defined benefit plans are provided primarily for domestic union and foreign employees. Defined contribution plans are provided for the majority of its domestic non-union hourly and salaried employees.

Total pension cost consisted of the following:

	2003	2002	2001
	(Dollars in thousands)		
Components of defined benefit net periodic benefit cost:			
Service cost	$ 35,980	$ 30,391	$ 25,769
Interest cost	106,115	96,444	89,889
Expected return on assets	(152,237)	(141,545)	(135,990)
Amortization of:			
Net initial asset	(1,325)	(1,818)	(2,637)
Prior service cost	8,815	8,473	9,616
Net actuarial loss/(gain)	10,472	4,386	(729)
Loss due to curtailment, settlement and special termination benefits	13,356	1,694	29,146
Net periodic benefit (income) cost	21,176	(1,975)	15,064
Defined contribution plans	24,786	19,314	21,846
Total pension cost	45,962	17,339	36,910
Less pension cost associated with discontinued operations	(5,901)	(4,926)	(4,237)
Pension cost associated with continuing operations	$ 40,061	$ 12,413	$ 32,673

The following table sets forth the funded status of the Company's principal defined benefit plans at April 30, 2003 and May 1, 2002.

	2003	2002
	(Dollars in thousands)	
Change in Benefit Obligation:		
Benefit obligation at the beginning of the year	$1,631,789	$1,549,413
Service cost	35,980	30,391
Interest cost	106,115	96,444
Participants' contributions	9,020	8,152
Amendments	91	9,596
Actuarial loss/(gain)	164,602	36,762
Curtailment gain	(430)	—
Settlement	(21,803)	—
Special termination benefits	8,039	1,254
Benefits paid	(92,546)	(110,846)
Spin off of SKF Foods	(47,303)	—
Acquisition	—	(3,543)
Exchange/other	129,000	14,166
Benefit obligation at the end of the year	1,922,554	1,631,789
Change in Plan Assets:		
Fair value of plan assets at the beginning of the year	1,510,811	1,496,171
Actual return on plan assets	(186,676)	(9,743)
Settlement	(21,803)	—
Employer contribution	223,541	110,632
Participants' contributions	9,020	8,152
Benefits paid	(92,546)	(110,846)
Spin off of SKF Foods	(40,646)	—
Acquisition	—	1,919
Exchange	110,179	14,526
Fair value of plan assets at the end of the year	1,511,880	1,510,811
Funded status	(410,674)	(120,978)
Unamortized prior service cost	60,198	70,972
Unamortized net actuarial loss/(gain)	879,677	364,890
Unamortized net initial asset	(1,507)	(2,626)
Net amount recognized	$ 527,694	$ 312,258
Amount recognized in the consolidated balance sheet consists of:		
Prepaid benefit cost	$ 134,575	$ 373,125
Other miscellaneous assets	51,856	—
Accrued benefit liability	(317,706)	(118,341)
Accumulated other comprehensive loss	658,969	57,474
Net amount recognized	$ 527,694	$ 312,258

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were $1,551.4 million, $1,423.6 million and $1,039.6 million, respectively, as of April 30, 2003 and $347.8 million, $298.7 million and $207.0 million, respectively, as of May 1, 2002. During Fiscal 2003, a total

prepaid pension asset in the amount of $10.2 million was transferred as a result of the spin off of SKF Foods.

The weighted-average rates used for the years ended April 30, 2003, May 1, 2002 and May 2, 2001 in determining the net pension costs and projected benefit obligations for defined benefit plans were as follows:

	2003	2002	2001
Expected rate of return	8.9%	9.2%	9.3%
Discount rate	5.9%	6.6%	6.7%
Compensation increase rate	4.0%	4.2%	4.3%

12. Postretirement Benefits Other Than Pensions and Other Post Employment Benefits

The Company and certain of its subsidiaries provide health care and life insurance benefits for retired employees and their eligible dependents. Certain of the Company's U.S. and Canadian employees may become eligible for such benefits. The Company currently does not fund these benefit arrangements and may modify plan provisions or terminate plans at its discretion.

Net postretirement costs consisted of the following:

	2003	2002	2001
	(Dollars in thousands)		
Components of defined benefit net periodic benefit cost:			
Service cost	$ 5,089	$ 4,668	$ 4,350
Interest cost	15,559	13,395	12,519
Amortization of:			
Prior service cost	(1,241)	(728)	(728)
Net actuarial gain	732	(2,170)	(3,560)
Loss due to curtailment and special termination benefits	3,054	551	951
Net periodic benefit cost	23,193	15,716	13,532
Less periodic benefit cost associated with discontinued operations	(2,291)	(3,831)	(3,344)
Periodic benefit cost associated with continuing operations	$20,902	$11,885	$10,188

The following table sets forth the combined status of the Company's postretirement benefit plans at April 30, 2003 and May 1, 2002.

	2003	2002
	(Dollars in thousands)	
Change in benefit obligation:		
Benefit obligation at the beginning of the year	$ 226,368	$ 186,256
Service cost	5,089	4,668
Interest cost	15,559	13,395
Participants' contributions	1,540	1,169
Actuarial loss	39,124	36,184
Spin off of SKF Foods	(25,346)	—
Acquisition	—	1,800
Special termination benefits	3,054	551
Benefits paid	(18,759)	(17,301)
Exchange/other	1,857	(354)
Benefit obligation at the end of the year	248,486	226,368
Funded status	(248,486)	(226,368)
Unamortized prior service cost	(8,804)	(5,127)
Unamortized net actuarial loss/(gain)	53,627	11,986
Net accrued benefit liability	$(203,663)	$(219,509)

The weighted-average discount rate used in the calculation of the accumulated post-retirement benefit obligation and the net postretirement benefit cost was 6.3% in 2003, 7.2% in 2002 and 7.5% in 2001. The weighted-average assumed annual composite rate of increase in the per capita cost of company-provided health care benefits begins at 8.7% for 2004, gradually decreases to 5.0% by 2009 and remains at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for postretirement medical benefits. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
	(Dollars in thousands)	
Effect on total service and interest cost components	$ 2,319	$ (1,360)
Effect on postretirement benefit obligation	20,726	(12,834)

During Fiscal 2003, the Company transferred a net accrued benefit liability of $24.0 million as a result of the spin off of SKF Foods.

13. Derivative Financial Instruments and Hedging Activities

The Company operates internationally, with manufacturing and sales facilities in various locations around the world, and utilizes certain derivative and non-derivative financial instruments to manage its foreign currency, commodity price, and interest rate exposures.

Foreign Currency Hedging:

The Company uses forward contracts and to a lesser extent, option contracts to mitigate its foreign currency exchange rate exposure due to forecasted purchases of raw materials and sales of finished goods, and future settlement of foreign currency denominated assets and liabilities. Derivatives used to hedge forecasted transactions and specific cash flows associated with foreign currency denominated financial assets and liabilities which meet the criteria for hedge accounting

are designated as cash flow hedges. Consequently, the effective portion of gains and losses is deferred as a component of accumulated other comprehensive loss and is recognized in earnings at the time the hedged item affects earnings, in the same line item as the underlying hedged item.

The Company uses certain foreign currency debt instruments as net investment hedges of foreign operations. Losses of $41.9 million (net of income taxes of $23.5 million), $2.4 million (net of income taxes of $1.4 million) and $0.2 million (net of income taxes of $0.1 million), which represented effective hedges of net investments, were reported as a component of accumulated other comprehensive loss within unrealized translation adjustment for the years ended April 30, 2003, May 1, 2002, and May 2, 2001, respectively.

Commodity Price Hedging:

The Company uses commodity futures, swaps and option contracts in order to reduce price risk associated with forecasted purchases of raw materials such as corn, soybean oil, and soybean meal. Commodity price risk arises due to factors such as weather conditions, government regulations, economic climate and other unforeseen circumstances. Derivatives used to hedge forecasted commodity purchases that meet the criteria for hedge accounting are designated as cash flow hedges. Consequently, the effective portion of changes in the fair value of these derivatives is deferred as a component of accumulated other comprehensive loss and is recognized as part of cost of products sold at the time the hedged item affects earnings.

Interest Rate Hedging:

The Company uses interest rate swaps to manage interest rate exposure. These derivatives may be designated as cash flow hedges or fair value hedges depending on the nature of the risk being hedged. Derivatives used to hedge risk associated with changes in the fair value of certain fixed rate debt obligations are designated as fair value hedges. Consequently, changes in the fair value of these derivatives, along with changes in the fair value of the hedged debt obligations that are attributable to the hedged risk, are recognized in current period earnings.

Hedge Ineffectiveness:

Hedge ineffectiveness related to cash flow hedges, which is reported in current period earnings as other income and expense, was a net loss of $0.8 million, $0.3 million, and $0.6 million for the years ended April 30, 2003, May 1, 2002, and May 2, 2001, respectively. The Company excludes the time value component of option contracts from the assessment of hedge effectiveness.

Deferred Hedging Gains and Losses:

As of April 30, 2003, the Company is hedging forecasted transactions for periods not exceeding 24 months. During the next 12 months, the Company expects $6.2 million of net deferred gain reported in accumulated other comprehensive loss to be reclassified to earnings. Net deferred losses reclassified to earnings because the hedged transaction was no longer expected to occur totaled $0.6 million for the year ended April 30, 2003 and were not significant for the years ended May 1, 2002 and May 2, 2001.

Other Activities:

The Company enters into certain derivative contracts in accordance with its risk management strategy that do not meet the criteria for hedge accounting. Although these derivatives do not qualify as hedges, they have the economic impact of largely mitigating foreign currency, commod-

ity price or interest rate exposures. These derivative financial instruments are accounted for on a full mark to market basis through current earnings even though they were not acquired for trading purposes.

At April 30, 2003, the notional amount outstanding of currency exchange, commodity, and interest rate derivative contracts was $715 million, $21 million, and $2.95 billion, respectively. At May 1, 2002, the notional amount outstanding of currency exchange, commodity, and interest rate derivative contracts was $845 million, $31 million, and $2.05 billion, respectively. The fair value of derivative financial instruments was a net asset of $300 million and $24 million at April 30, 2003 and May 1, 2002, respectively.

Concentration of Credit Risk:

Counterparties to currency exchange and interest rate derivatives consist of large major international financial institutions. The Company continually monitors its positions and the credit ratings of the conterparties involved and, by policy, limits the amount of credit exposure to any one party. While the Company may be exposed to potential losses due to the credit risk of non-performance by these counterparties, losses are not anticipated. During Fiscal 2003, no single customer represented more than 10% of the Company's sales.

14. Net Income Per Common Share

The following are reconciliations of income to income applicable to common stock and the number of common shares outstanding used to calculate basic EPS to those shares used to calculate diluted EPS.

	Fiscal year ended		
	April 30, 2003 (52 Weeks)	*May 1, 2002 (52 Weeks)*	*May 2, 2001 (52 Weeks)*
	(Amounts in thousands)		
Income from continuing operations before cumulative effect of change in accounting principle	$555,359	$675,181	$563,931
Preferred dividends	19	20	22
Income from continuing operations applicable to common stock before cumulative effect of change in accounting principle	555,378	675,201	563,953
Cumulative effect of change in accounting principle	(77,812)	—	(15,281)
Income from continuing operations applicable to common stock	$477,566	$675,201	$548,672
Average common shares outstanding—basic	351,250	349,921	347,758
Effect of dilutive securities:			
Convertible preferred stock	147	162	176
Stock options and restricted stock	2,747	2,789	3,107
Average common shares outstanding—diluted	354,144	352,872	351,041

Stock options outstanding of 18.4 million, 14.9 million and 11.5 million as of April 30, 2003, May 1, 2002 and May 2, 2001, respectively, were not included in the above net income per diluted share calculations because to do so would have been antidilutive for the periods presented.

15. Segment Information

The Company's reportable segments are primarily organized by geographical area. The composition of segments and measure of segment profitability is consistent with that used by the Company's management. The Heinz North America segment now includes only those businesses that were retained by Heinz following the Del Monte transaction. Prior periods have been reclassified to conform with the current presentation. Descriptions of the Company's reportable segments are as follows:

- ***Heinz North America*****—**This segment manufactures, markets and sells ketchup, condiments, sauces and pasta meals to the grocery and foodservice channels in North America.
- ***U.S. Frozen*****—**This segment manufactures, markets and sells frozen potatoes, entrees, snacks and appetizers.
- ***Europe*****—**This segment includes the Company's operations in Europe and sells products in all of the Company's core categories.
- ***Asia/Pacific*****—**This segment includes the Company's operations in New Zealand, Australia, Japan, China, South Korea, Indonesia, Thailand and India. This segment's operations include products in all of the Company's core categories.
- ***Other Operating Entities*****—**This segment includes the Company's operations in Africa, Venezuela and other areas that sell products in all of the Company's core categories. During Fiscal 2003, the Company deconsolidated its Zimbabwe operations which have historically been reported in this segment.

The Company's management evaluates performance based on several factors including net sales and the use of capital resources; however, the primary measurement focus is operating income excluding unusual costs and gains. Intersegment sales are accounted for at current market values. Items below the operating income line of the consolidated statements of income are not presented by segment, since they are excluded from the measure of segment profitability reviewed by the Company's management.

The following table presents information about the Company's reportable segments.

	Fiscal year ended					
	April 30, 2003 (52 Weeks)	*May 1, 2002 (52 Weeks)*	*May 2, 2001 (52 Weeks)*	*April 30, 2003 (52 Weeks)*	*May 1, 2002 (52 Weeks)*	*May 2, 2001 (52 Weeks)*
	Net External Sales			*Intersegment Sales*		
	(Dollars in thousands)					
Heinz North America	$2,273,174	$ 2,216,945	$2,086,765	$ 23,233	$ 21,421	$ 35,303
U.S. Frozen	1,156,311	1,171,487	956,564	7,729	10,222	12,660
Europe	3,148,347	2,834,396	2,582,769	6,072	6,737	3,657
Asia/Pacific	1,150,634	980,848	1,041,328	3,192	2,901	3,376
Other Operating Entities	508,370	410,360	320,272	2,192	1,379	—
Non-Operating (a)	—	—	—	(42,418)	(42,660)	(54,996)
Consolidated Totals	$8,236,836	$ 7,614,036	$6,987,698	$ —	$ —	$ —

	Operating Income (Loss)			*Operating Income (Loss) Excluding (b) Special Items*		
Heinz North America	$ 382,777	$ 477,255	$ 491,662	$ 449,567	$ 483,403	$ 541,529
U.S. Frozen	199,678	244,731	83,964	199,678	244,731	202,012
Europe	553,663	541,830	388,647	612,598	545,442	518,009
Asia/Pacific	117,505	82,060	96,123	124,154	81,919	147,599
Other Operating Entities	89,753	55,132	49,284	89,753	55,132	38,958
Non-Operating (a)	(169,560)	(101,136)	(120,721)	(114,543)	(98,391)	(97,104)
Consolidated Totals	$1,173,816	$ 1,299,872	$ 988,959	$1,361,207	$1,312,236	$1,351,003

	Depreciation and Amortization Expenses			*Capital Expenditures (c)*		
Total North America	$ 81,702	$ 96,962	$ 90,690	$ 60,289	$ 84,404	$ 158,653
Europe	95,461	107,222	90,106	60,174	71,688	140,780
Asia/Pacific	23,549	27,783	26,288	25,362	26,646	46,166
Other Operating Entities	5,071	6,974	8,117	3,797	6,169	4,716
Non-Operating (a)	8,979	3,907	4,376	4,347	4,947	8,615
Consolidated Totals	$ 214,762	$ 242,848	$ 219,577	$ 153,969	$ 193,854	$ 358,930

	Identifiable Assets		
Total North America	$3,468,650	$ 5,469,722	$4,572,995
Europe	3,416,932	3,253,266	3,130,680
Asia/Pacific	1,150,535	969,185	912,515
Other Operating Entities	108,655	226,177	208,267
Non-Operating (d)	1,079,979	360,004	210,693
Consolidated Totals	$9,224,751	$10,278,354	$9,035,150

(a) Includes corporate overhead, intercompany eliminations and charges not directly attributable to operating segments.

(b) ***Fiscal year ended April 30, 2003:*** Excludes Del Monte transaction related costs, costs to reduce overhead of the remaining businesses and losses on the exit of non-strategic businesses as follows: Heinz North America $66.8 million, Europe $58.9 million, Asia/Pacific $6.6 million and Non-Operating $55.0 million.

Fiscal year ended May 1, 2002: Excludes restructuring and implementation costs of the Streamline initiative as follows: Heinz North America $6.1 million, Europe $3.6 million, Asia/Pacific $(0.1) million and Non-Operating $2.7 million.

Fiscal year ended May 2, 2001: Excludes net restructuring and implementation costs of Operation Excel as follows: Heinz North America $15.1 million, U.S. Frozen $23.4 million, Europe $63.7 million, Asia/Pacific $46.3 million, Other Operating Entities $(11.3) million and Non-Operating $9.4 million. Excludes restructuring and implementation costs of the Streamline initiative as follows: Heinz North America $16.3 million, Europe $65.7 million, Asia/Pacific $5.2 million and Non-Operating $14.2 million. Excludes the loss on the sale of The All American Gourmet in U.S. Frozen of $94.6 million. Excludes acquisition costs in Heinz North America of $18.5 million.

(c) Excludes property, plant and equipment obtained through acquisitions.

(d) Includes identifiable assets not directly attributable to operating segments.

The Company's revenues are generated via the sale of products in the following categories:

	Fiscal year ended		
	April 30, 2003 (52 Weeks)	*May 1, 2002 (52 Weeks)*	*May 2, 2001 (52 Weeks)*
		(Unaudited) (Dollars in thousands)	
Ketchup, condiments and sauces	$2,766,134	$2,678,807	$2,454,130
Frozen foods	1,972,200	1,999,501	1,739,283
Tuna	520,925	470,174	445,396
Soups, beans and pasta meals	1,176,052	974,370	915,892
Infant foods	871,801	793,281	814,199
Other	929,724	697,903	618,798
Total	$8,236,836	$7,614,036	$6,987,698

The Company has significant sales and long-lived assets in the following geographic areas. Sales are based on the location in which the sale originated. Long-lived assets include property, plant and equipment, goodwill, trademarks and other intangibles, net of related depreciation and amortization.

	Fiscal year ended					
	Net External Sales			*Long-Lived Assets**		
	April 30, 2003 (52 Weeks)	*May 1, 2002 (52 Weeks)*	*May 2, 2001 (52 Weeks)*	*April 30, 2003*	*May 1, 2002*	*May 2, 2001*
			(Dollars in thousands)			
United States	$3,114,105	$3,049,215	$2,776,652	$1,830,059	$2,776,227	$2,508,105
United Kingdom	1,574,258	1,408,642	1,353,970	660,752	434,405	524,390
Other	3,548,473	3,156,179	2,857,076	2,061,404	2,529,517	1,901,777
Total	$8,236,836	$7,614,036	$6,987,698	$4,552,215	$5,740,149	$4,934,272

* Amounts include discontinued operations.

16. Quarterly Results

	2003				
	First (13 Weeks)	Second (13 Weeks)	Third (13 Weeks)	Fourth (13 Weeks)	Total (52 Weeks)
	(Unaudited) (Dollars in thousands, except per share amounts)				
Sales	$1,839,314	$2,099,170	$2,105,003	$2,193,349	$8,236,836
Gross profit	672,679	750,979	762,045	746,771	2,932,474
Income from continuing operations	76,560	168,537	129,849	102,601	477,547
Per Share Amounts:					
Income from continuing operations—diluted	$ 0.22	$ 0.48	$ 0.37	$ 0.29	$ 1.35
Income from continuing operations—basic	0.22	0.48	0.37	0.29	1.36
Cash dividends	0.4050	0.4050	0.4050	0.2700	1.4850

	2002				
	First (13 Weeks)	Second (13 Weeks)	Third (13 Weeks)	Fourth (13 Weeks)	Total (52 Weeks)
	(Unaudited) (Dollars in thousands, except per share amounts)				
Sales	$1,675,541	$1,939,582	$1,928,746	$2,070,167	$7,614,036
Gross profit	633,245	712,809	669,265	740,630	2,755,949
Income from continuing operations	166,566	167,509	161,235	179,871	675,181
Per Share Amounts:					
Income from continuing operations—diluted	$ 0.47	$ 0.47	$ 0.46	$ 0.51	$ 1.91
Income from continuing operations—basic	0.48	0.48	0.46	0.51	1.93
Cash dividends	0.3925	0.4050	0.4050	0.4050	1.6075

The first quarter of Fiscal 2003 includes costs related to the Del Monte transaction and costs to reduce overhead of the remaining businesses of $11.6 million after tax. The first quarter of Fiscal 2002 includes restructuring and implementation costs related to the Streamline initiative of $6.1 million after tax.

The second quarter of Fiscal 2003 includes costs related to the Del Monte transaction and costs to reduce overhead of the remaining businesses of $6.9 million after tax.

The third quarter of Fiscal 2003 includes costs related to the Del Monte transaction and costs to reduce overhead of the remaining businesses of $51.5 million after tax and the loss on the disposal of a non-strategic business of $10.1 million after tax.

The fourth quarter of Fiscal 2003 includes costs related to the Del Monte transaction and costs to reduce overhead of the remaining businesses of $43.0 million after tax and losses on the exit of non-strategic businesses of $39.2 million after tax. The fourth quarter of Fiscal 2002 includes a net charge of $2.8 million after tax related to the Streamline initiative.

17. Commitments and Contingencies

Legal Matters:

Certain suits and claims have been filed against the Company and have not been finally adjudicated. These suits and claims when finally concluded and determined, in the opinion of management, based upon the information that it presently possesses, will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

Lease Commitments:

Operating lease rentals for warehouse, production and office facilities and equipment amounted to approximately $95.2 million in 2003, $91.3 million in 2002 and $86.5 million in 2001. Future lease payments for non-cancellable operating leases as of April 30, 2003 totaled $507.7 million (2004-$67.5 million, 2005-$53.6 million, 2006-$42.6 million, 2007-$155.5 million, 2008-$18.1 million and thereafter-$170.4 million).

No significant credit guarantees existed between the Company and third parties as of April 30, 2003.

18. Advertising Costs

Advertising costs for fiscal years 2003, 2002 and 2001 were $294.2 million, $285.9 million and $244.8 million, respectively, and are recorded either as a reduction of revenue or as a component of SG&A.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

There is nothing to be reported under this item.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company's management, with participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company believes that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Changes in Internal Controls over Financial Reporting

No significant change in the Company's internal control over financial reporting occurred during the fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Information relating to the Directors of the Company is set forth under the captions "Election of Directors" and "Additional Information—Section 16 Beneficial Ownership Reporting Compliance" in the Company's definitive Proxy Statement in connection with its Annual Meeting of Shareholders to be held September 12, 2003. Such information is incorporated herein by reference. Information relating to the executive officers of the Company is set forth under the caption "Executive Officers of the Registrant" in Part I above.

Item 11. Executive Compensation.

Information relating to executive compensation is set forth under the caption "Executive Compensation" in the Company's definitive Proxy Statement in connection with its Annual Meeting of Shareholders to be held September 12, 2003. Such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The number of shares to be issued upon exercise and the number of shares remaining available for future issuance under the Company's equity compensation plans at April 30, 2003 were as follows.

Equity Compensation Plan Information

	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	*Weighted-average exercise price of outstanding options, warrants and rights*	*Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))*
Equity Compensation plans approved by stockholders	38,683,458	$35.94	21,563,132
Equity Compensation plans not approved by stockholders(1)(2)	28,990	N/A(3)	N/A(1)(4)
Total	38,712,448	$35.94	21,563,132

(1) The H. J. Heinz Company Restricted Stock Recognition Plan for Salaried Employees (the "Restricted Stock Plan") is designed to provide recognition and reward in the form of awards of restricted stock to employees who have a history of outstanding accomplishment and who, because of their experience and skills, are expected to continue to contribute significantly to the success of the Company. Eligible employees are those full-time salaried employees not participating in the shareholder-approved H. J. Heinz Company Incentive Compensation Plan in effect as of May 1, 2002, and who have not been awarded an option to purchase Company Common Stock. The Company has ceased issuing shares from this Restricted Stock Plan, and it is the Company's intention to terminate the Restricted Stock Plan once all restrictions on previously issued shares are lifted. Future awards of this type will be made under the Fiscal Year 2003 Stock Incentive Plan.

(2) Historically, the Company has awarded 300 shares to non-employee directors on an annual basis as discretionary grants in lieu of cash compensation, and an additional 400 shares were awarded to each non-employee director in January, 2003 in the same manner. These grants are not awarded under any equity compensation plan and are in addition to 300 shares awarded annually to non-employee directors under the H. J. Heinz Company Stock Compensation Plan for Non-Employee Directors, which was approved by the Company's shareholders.

(3) The grants made under the Restricted Stock Plan are restricted shares of Common Stock, and therefore there is no exercise price.

(4) The maximum number of shares of Common Stock that the Chief Executive Officer may grant under the Restricted Stock Plan has been established annually by the Executive Committee of the Board of Directors; provided, however, that such number of shares shall not exceed in any plan year 1% of all then outstanding shares of Common Stock.

Information relating to the ownership of equity securities of the Company by certain beneficial owners and management is set forth under the caption “Security Ownership of Management” in the Company’s definitive Proxy Statement in connection with its Annual Meeting of Shareholders to be held September 12, 2003. Such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

Information relating to certain relationships with a beneficial shareholder and certain related transactions is set forth under the caption “Certain Business Relationships” in the Company’s definitive Proxy Statement in connection with its Annual Meeting of Shareholders to be held September 12, 2003. Such information is incorporated herein by reference.

Item 14. Principal Auditor Fees and Services

Information relating to the principal auditor’s fees and services is set forth under the caption “Relationship With Independent Auditors” in the Company’s definitive Proxy Statement in connection with its Annual Meeting of Shareholders to be held September 12, 2003. Such information is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a)(1) The following financial statements and report are filed as part of this report under Item 8—"Financial Statements and Supplementary Data":

Consolidated Balance Sheets as of April 30, 2003 and May 1, 2002
Consolidated Statements of Income for the fiscal years ended April 30, 2003, May 1, 2002 and May 2, 2001
Consolidated Statements of Shareholders' Equity for the fiscal years ended April 30, 2003, May 1, 2002 and May 2, 2001
Consolidated Statements of Cash Flows for the fiscal years ended April 30, 2003, May 1, 2002 and May 2, 2001
Notes to Consolidated Financial Statements
Report of Independent Auditors of PricewaterhouseCoopers LLP dated June 11, 2003, on the Company's consolidated financial statements for the fiscal years ended April 30, 2003, May 1, 2002 and May 2, 2001

(2) The following report and schedule is filed herewith as a part hereof:

Report of Independent Auditors of PricewaterhouseCoopers LLP dated June 11, 2003 on the Company's consolidated financial statement schedule filed as a part hereof for the fiscal years ended April 30, 2003, May 1, 2002 and May 2, 2001

Consent of Independent Auditors of PricewaterhouseCoopers LLP dated July 23, 2003 filed as a part hereof

Schedule II (Valuation and Qualifying Accounts and Reserves) for the three fiscal years ended April 30, 2003, May 1, 2002 and May 2, 2001

All other schedules are omitted because they are not applicable or the required information is included herein or is shown in the consolidated financial statements or notes thereto filed as part of this report incorporated herein by reference.

(3) Exhibits required to be filed by Item 601 of Regulation S-K are listed below. Documents not designated as being incorporated herein by reference are filed herewith. The paragraph numbers correspond to the exhibit numbers designated in Item 601 of Regulation S-K.

3(i) The Company's Articles of Amendment dated July 13, 1994, amending and restating the Company's amended and restated Articles of Incorporation in their entirety, are incorporated herein by reference to Exhibit 3(i) to the Company's Annual Report on Form 10-K for the fiscal year ended April 27, 1994.

3(ii) The Company's By-Laws, as amended effective June 12, 2002 are incorporated herein by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the three months ended July 31, 2002.

4. Except as set forth below, there are no instruments with respect to long-term debt of the Company that involve indebtedness or securities authorized thereunder exceeding 10 percent of the total assets of the Company on a consolidated basis. The Company agrees to file a copy of any instrument or agreement defining the rights of holders of long-term debt of the Company upon request of the Securities and Exchange Commission.

(a) The Indenture between the Company and Bank One, National Association dated November 6, 2000, is incorporated herein by reference to Exhibit 4 to the Company's Quarterly Report on Form 10-Q for the nine months ended January 31, 2001.

(i) The Supplement dated May 3, 2001 to the Indenture between the Company and Bank One, National Association dated as of November 6, 2000 is incorporated herein by reference to Exhibit 4(b)(i) of the Company's Form 10-K for the fiscal year ended May 2, 2001.

(b) The Indenture among the Company, H. J. Heinz Finance Company, and Bank One, National Association dated as of July 6, 2001 relating to the H. J. Heinz Finance Company's $750,000,000 6.625% Guaranteed Notes due 2011, $700,000,000 6.00% Guaranteed Notes due 2012 and $550,000,000 6.75% Guaranteed Notes due 2032 is incorporated herein by reference to Exhibit 4 of the Company's Annual Report on Form 10-K for the fiscal year ended May 1, 2002.

(c) The Certificate of Designations, Preferences and Rights of Voting Cumulative Preferred Stock, Series A of H. J. Heinz Finance Company is incorporated herein by reference to Exhibit 4 of the Company's Quarterly Report on Form 10-Q for the three months ended August 1, 2001.

10(a) Management contracts and compensatory plans:

(i) 1986 Deferred Compensation Program for H. J. Heinz Company and affiliated companies, as amended and restated in its entirety effective December 6, 1995, is incorporated herein by reference to Exhibit 10(c)(i) to the Company's Annual Report on Form 10-K for the fiscal year ended May 1, 1995.

(ii) H. J. Heinz Company 1984 Stock Option Plan, as amended, is incorporated herein by reference to Exhibit 10(n) to the Company's Annual Report on Form 10-K for the fiscal year ended May 2, 1990.

(iii) H. J. Heinz Company 1987 Stock Option Plan, as amended, is incorporated herein by reference to Exhibit 10(o) to the Company's Annual Report on Form 10-K for the fiscal year ended May 2, 1990.

(iv) H. J. Heinz Company 1990 Stock Option Plan is incorporated herein by reference to Appendix A to the Company's Proxy Statement dated August 3, 1990.

(v) H. J. Heinz Company 1994 Stock Option Plan is incorporated herein by reference to Appendix A to the Company's Proxy Statement dated August 5, 1994.

(vi) H. J. Heinz Company Supplemental Executive Retirement Plan, as amended, is incorporated herein by reference to Exhibit 10(c)(ix) to the Company's Annual Report on Form 10-K for the fiscal year ended April 28, 1993.

(vii) H. J. Heinz Company Executive Deferred Compensation Plan (as amended and restated on December 27, 2001) is incorporated by reference to Exhibit 10(a)(vii) of the Company's Annual Report on Form 10-K for the fiscal year ended May 1, 2002.

(viii) H. J. Heinz Company Incentive Compensation Plan is incorporated herein by reference to Appendix B to the Company's Proxy Statement dated August 5, 1994.

(ix) H. J. Heinz Company Stock Compensation Plan for Non-Employee Directors is incorporated herein by reference to Appendix A to the Company's Proxy Statement dated August 3, 1995.

(x) H. J. Heinz Company 1996 Stock Option Plan is incorporated herein by reference to Appendix A to the Company's Proxy Statement dated August 2, 1996.

(xi) H. J. Heinz Company Deferred Compensation Plan for Directors is incorporated herein by reference to Exhibit 10(a)(xiii) to the Company's Annual Report on Form 10-K for the fiscal year ended April 29, 1998.

(xii) H. J. Heinz Company Global Stock Purchase Plan is incorporated herein by reference to Appendix A to the Company's Proxy Statement dated August 3, 1999.

(xiii) Form of Severance Protection Agreement is incorporated herein by reference to Exhibit 10(a)(xiv) to the Company's Annual Report on Form 10-K for the fiscal year ended May 3, 2000.

(xiv) H. J. Heinz Company 2000 Stock Option Plan is incorporated herein by reference to Appendix A to the Company's Proxy Statement dated August 4, 2000.

(xv) H. J. Heinz Company Executive Estate Life Insurance Program is incorporated herein by reference to Exhibit 10(a)(xv) to the Company's Annual Report on Form 10-K for the fiscal year ended May 1, 2002.

(xvi) H. J. Heinz Company Restricted Stock Recognition Plan for Salaried Employees is incorporated herein by reference to Exhibit 10(a)(xvi) to the Company's Annual Report on Form 10-K for the fiscal year ended May 1, 2002.

(xvii) Retirement Agreement for Mr. Williams is incorporated by reference to Exhibit 10(a)(xvii) of the Company's Annual Report on Form 10-K for the fiscal year ended May 1, 2002.

(xviii) Retirement Agreement for Mr. Wamhoff is incorporated by reference to Exhibit 10(a)(xviii) of the Company's Annual Report on Form 10-K for the fiscal year ended May 1, 2002.

(xix) H. J. Heinz Company Fiscal Year 2003 Stock Incentive Plan is incorporated by reference to the Company's Proxy Statement dated August 2, 2002.

(xx) H. J. Heinz Company Senior Executive Incentive Compensation Plan is incorporated by reference to the Company's Proxy Statement dated August 2, 2002.

(xxi) Form of First Amendment to Severance Protection Agreement.

12. Computation of Ratios of Earnings to Fixed Charges.

21. Subsidiaries of the Registrant.

23. The following Exhibit is filed by incorporation by reference to Item 15(a)(2) of this Report:

(a) Consent of PricewaterhouseCoopers LLP.

24. Powers-of-attorney of the Company's directors.

31. Rule 13a-14(a)/15d-14(a) Certifications.

99(a) Certification by the Chief Executive Officer Relating to the Annual Report Containing Financial Statements.

99(b) Certification by the Chief Financial Officer Relating to the Annual Report Containing Financial Statements.

Copies of the exhibits listed above will be furnished upon request to holders or beneficial holders of any class of the Company's stock, subject to payment in advance of the cost of reproducing the exhibits requested.

(b) During the last fiscal quarter of the period covered by this Report, the Company filed a Current Report on Form 8-K dated February 17, 2003 relating to its press release regarding the Company's growth strategy as presented to the Consumer Analyst Group of New York conference on February 17, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on July 24, 2003.

H. J. HEINZ COMPANY
(Registrant)

By: /s/ ARTHUR B. WINKLEBLACK
Arthur B. Winkleblack
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, on July 24, 2003.

Signature	*Capacity*
/s/ WILLIAM R. JOHNSON **William R. Johnson**	Chairman, President and Chief Executive Officer (Principal Executive Officer)
/s/ ARTHUR B. WINKLEBLACK **Arthur B. Winkleblack**	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ EDWARD J. MCMENAMIN **Edward J. McMenamin**	Vice President-Finance (Principal Accounting Officer)

William R. Johnson	Director	By /s/ ARTHUR B. WINKLEBLACK **Arthur B. Winkleblack** Attorney-in-Fact
Mary C. Choksi	Director	
Leonard S. Coleman, Jr.	Director	
Peter H. Coors	Director	
Edith E. Holiday	Director	
Dean R. O'Hare	Director	
Thomas J. Usher	Director	
James M. Zimmerman	Director	

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Exhibit 31

I, William R. Johnson, Chairman, President and Chief Executive Officer of H. J. Heinz Company certify that:

1. I have reviewed this annual report on Form 10-K of H. J. Heinz Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures;

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons fulfilling the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 24, 2003

By: /s/ WILLIAM R. JOHNSON

Name: William R. Johnson
Title: Chairman, President and
Chief Executive Officer

Exhibit 31

I, Arthur B. Winkleblack, Executive Vice President and Chief Financial Officer of H. J. Heinz Company certify that:

1. I have reviewed this annual report on Form 10-K of H. J. Heinz Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures;

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of such internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons fulfilling the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 24, 2003

By: /s/ ARTHUR B. WINKLEBLACK

Name: Arthur B. Winkleblack
Title: Executive Vice President and Chief Financial Officer

DIRECTORS AND OFFICERS*
H. J. Heinz Company

Directors

William R. Johnson
Chairman, President and
Chief Executive Officer
Director since 1993. (1)

Charles E. Bunch
President and
Chief Operating Officer,
PPG Industries,
Pittsburgh, Pennsylvania.
Director since 2003.

Mary C. Choksi
Managing Director, Strategic
Investment Partners, Inc. and
Emerging Markets Investors
Corporation, Arlington, Virginia.
Director since 1998. (1,4,5)

Leonard S. Coleman, Jr.
Senior Advisor — Major League
Baseball, New York, New York.
Director since 1998. (3,4,5)

Peter H. Coors
Chairman, Coors Brewing
Company and Chairman,
Adolph Coors Company,
Golden, Colorado.
Director since 2001. (2,5)

Edith E. Holiday
Attorney and Director,
Various Corporations.
Director since 1994. (1,3,4,5)

Candace Kendle
Chairman and Chief Executive
Officer, Kendle International
Inc., Cincinnati, Ohio.
Director since 1998. (2,3)

Dean R. O'Hare
Retired Chairman,
The Chubb Corporation,
Warren, New Jersey.
Director since 2000. (2,4,5)

Lynn C. Swann
President, Swann, Inc. and
Chairman, President's Council on
Physical Fitness and Sports.
Pittsburgh, Pennsylvania.
Director since 2003.

Thomas J. Usher
Chairman, Board of Directors
and Chief Executive
Officer, United States Steel
Corporation,
Pittsburgh, Pennsylvania.
Director since 2000. (1,2,3,5)

James M. Zimmerman
Chairman Federated Department
Stores, Inc., Cincinnati, Ohio.
Director since 1998. (1,2,3)

Committees of the Board

(1) Executive Committee
(2) Management Development and Compensation Committee
(3) Corporate Governance Committee
(4) Audit Committee
(5) Public Issues and Social Responsibility Committee

Officers

William R. Johnson
Chairman, President and Chief
Executive Officer

Neil Harrison
Executive Vice President;
President and Chief Executive
Officer — Heinz North America

Joseph Jimenez
Executive Vice President; President and Chief Executive Officer — Heinz Europe

Arthur B. Winkleblack
Executive Vice President and
Chief Financial Officer

Michael J. Bertasso
Senior Vice President;
President — Asia/Pacific

Michael D. Milone
Senior Vice President —
Global Category Development

D. Edward I. Smyth
Chief Administrative Officer and
Senior Vice President —
Corporate and Government
Affairs

Laura Stein
Senior Vice President and
General Counsel

Lani L. Beach
Vice President — Chief
Human Resources Officer

Rene D. Biedzinski
Corporate Secretary

Theodore N. Bobby
Vice President — Legal Affairs

George F. Chappelle
Vice President and Chief
Information Officer

John C. Crowe
Vice President — Taxes

Leonard A. Cullo
Treasurer

F. Kerr Dow
Vice President — Nutrition &
Technical Affairs and Chief
Scientist

Kenneth C. Keller
Vice President — Chief
Growth Officer

Edward J. McMenamin
Vice President — Finance

Tod A. Nestor
Vice President —
Corporate Planning

Diane B. Owen
Vice President — Corporate
Audit

Mitchell A. Ring
Vice President — Business
Development

John Runkel
Vice President — Investor
Relations

Kenneth S. Smialek
Vice President and Chief Cost
Officer

* As of July 2003.

ELEVEN-YEAR SUMMARY OF OPERATIONS AND OTHER RELATED DATA

H. J. Heinz Company and Subsidiaries

(Dollars in thousands, except per share amounts)	*2003*	*2002*	*2001*	*2000(b)*
SUMMARY OF OPERATIONS:				
Sales(a)	8,236,836	7,614,036	6,987,698	6,892,807
Cost of products sold(a)	5,304,362	4,858,087	4,407,267	4,356,965
Interest expense(a)	223,532	230,611	262,488	206,996
Provision for income taxes(a)	313,372	375,339	190,495	508,546
Income before cumulative effect of accounting change(a)	555,359	675,181	563,931	780,145
Cumulative effect of SFAS No. 142 adoption	(77,812)	—	—	—
Cumulative effect of SAB No. 101 and FAS No. 133 adoptions(a)	—	—	(15,281)	—
Cumulative effect of SFAS No. 106 adoption	—	—	—	—
Net income(a)	477,547	675,181	548,650	780,145
Income per share before cumulative effect of accounting change — diluted(a)	1.57	1.91	1.61	2.17
Cumulative effect of SFAS No. 142 adoption	(0.22)	—	—	—
Cumulative effect of SAB No. 101 and FAS No. 133 adoptions(a)	—	—	(0.05)	—
Cumulative effect of SFAS No. 106 adoption	—	—	—	—
Net income per share — diluted(a)	1.35	1.91	1.56	2.17
Net income per share — basic(a)	1.36	1.93	1.58	2.20
OTHER RELATED DATA:				
Dividends paid:				
Common	521,592	562,547	537,290	513,756
per share	1.4850	1.6075	1.545	1.445
Preferred	19	20	22	26
Average common shares outstanding — diluted	354,144,291	352,871,918	351,041,321	360,095,455
Average common shares outstanding — basic	351,249,704	349,920,983	347,758,281	355,272,696
Number of employees	38,900	46,500	45,800	46,900
Capital expenditures(a)	153,969	193,854	358,930	394,919
Depreciation and amortization(a)	214,762	242,848	219,577	214,766
Total assets	9,224,751	10,278,354	9,035,150	8,850,657
Total debt	4,930,929	5,345,613	4,885,687	4,112,401
Shareholders' equity	1,199,157	1,718,616	1,373,727	1,595,856
Pretax return on average invested capital(a)	16.1%	18.8%	16.6%	27.0%
Return on average shareholders' equity before cumulative effect of accounting change(a)	37.1%	43.5%	37.8%	45.9%
Book value per common share	3.41	4.90	3.94	4.59
Price range of common stock:				
High	43.19	46.96	47.63	54.00
Low	29.05	38.12	35.44	30.81

(a) Amounts for 2003, 2002, 2001, and 2000 have been adjusted to reflect discontinued operations and the adoption of the EITF guidelines relating to the classification of consideration from a vendor to a purchaser of a vendor's products, including both customers and consumers. Amounts for fiscal years 1999 and earlier have not been adjusted to reflect discontinued operations or the EITF reclassifications as it is impracticable to do so.

(b) Fiscal year consisted of 53 weeks.

The 2003 results include, on a pretax basis, charges of $227.0 million for Del Monte transaction costs, overhead reduction costs and losses on exiting non-strategic businesses.

The 2002 results include, on a pretax basis, net restructuring and implementation costs of $12.4 million for the Streamline initiative.

The 2001 results include, on a pretax basis, restructuring and implementation costs of $101.4 million for the Streamline initiative, net restructuring and implementation costs of $146.5 million for Operation Excel, a benefit of $93.2 million from tax planning and new tax legislation in Italy, a loss of $94.6 million on the sale of The All American Gourmet business, company acquisition costs of $18.5 million, a loss of $5.6 million which represents the Company's equity loss associated with The Hain Celestial Group's fourth quarter results which included charges for its merger with Celestial Seasonings and the after-tax impact of adopting SAB No. 101 and SFAS No. 133 of $15.3 million.

The 2000 results include, on a pretax basis, net restructuring and implementation costs of $284.0 million for Operation Excel, a contribution of $30.0 million to the H. J. Heinz Company Foundation, a gain of $464.6 million on the sale of the *Weight Watchers* classroom business and a gain of $18.2 million on the sale of an office building in the U.K.

1999	*1998*	*1997*	*1996*	*1995(b)*	*1994*	*1993*
9,299,610	9,209,284	9,357,007	9,112,265	8,086,794	7,046,738	7,103,374
5,944,867	5,711,213	6,385,091	5,775,357	5,119,597	4,381,745	4,530,563
258,813	258,616	274,746	277,411	210,585	149,243	146,491
360,790	453,415	177,193	364,342	346,982	319,442	185,838
474,341	801,566	301,871	659,319	591,025	602,944	529,943
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	(133,630)
474,341	801,566	301,871	659,319	591,025	602,944	396,313
1.29	2.15	0.81	1.75	1.58	1.56	1.36
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	(0.34)
1.29	2.15	0.81	1.75	1.58	1.56	1.02
1.31	2.19	0.82	1.79	1.61	1.59	1.04
484,817	452,566	416,923	381,871	345,358	325,887	297,009
1.3425	1.235	1.135	1.035	0.94	0.86	0.78
30	37	43	56	64	71	78
367,830,419	372,952,851	374,043,705	377,606,606	373,317,480	385,778,757	390,374,298
361,203,539	365,982,290	367,470,850	368,799,645	367,685,810	378,483,701	380,728,905
38,600	40,500	44,700	43,300	42,200	35,700	37,700
316,723	373,754	377,457	334,787	341,788	275,052	430,713
302,212	313,622	340,490	343,809	315,267	259,809	234,935
8,053,634	8,023,421	8,437,787	8,623,691	8,247,188	6,381,146	6,821,321
3,376,413	3,107,903	3,447,435	3,363,828	3,401,076	2,166,703	2,613,736
1,803,004	2,216,516	2,440,421	2,706,757	2,472,869	2,338,551	2,320,996
20.4%	26.4%	11.9%	21.0%	21.4%	21.9%	18.1%
23.6%	34.4%	11.7%	25.5%	24.6%	25.9%	22.0%
5.02	6.10	6.64	7.34	6.76	6.26	6.08
61.75	59.94	44.88	36.63	28.63	26.63	30.38
44.56	41.13	29.75	27.63	21.13	20.50	23.50

The 1999 results include, on a pretax basis, restructuring and implementation costs of $552.8 million for Operation Excel and costs of $22.3 million related to the implementation of Project Millennia, offset by the reversal of unutilized Project Millennia accruals for severance and exit costs of $25.7 million and a gain of $5.7 million on the sale of the bakery products unit.

The 1998 results include costs of $84.1 million pretax related to the implementation of Project Millennia, offset by the gain on the sale of the Ore-Ida frozen foodservice business of $96.6 million pretax.

The 1997 results include a pretax charge for Project Millennia restructuring and implementation costs of $647.2 million, offset by capital gains of $85.3 million from the sale of non-strategic assets in New Zealand and the U.K. The 1994 results include a pretax gain of $127.0 million relating to the divestiture of the confectionary and specialty rice businesses. The 1993 results include a pretax restructuring charge of $192.3 million. The 1992 results include a pretax gain of $221.5 million for the sale of The Hubinger Company, a pretax restructuring charge of $88.3 million and a pretax pension curtailment gain of $38.8 million.

WORLD LOCATIONS*
H. J. Heinz Company and Subsidiaries

World Headquarters

600 Grant Street, Pittsburgh, Pennsylvania.

The Americas

☐ **H. J. Heinz Company, L.P.** Established 2000. Pittsburgh, Pennsylvania.
Divisions:
Alden Merrell
Chef Francisco
Delimex
Escalon Premier Brands
Heinz Frozen Food
Heinz North America
Heinz North America Foodservice
International DiverseFoods
Portion Pac
Quality Chef Foods
Todds
Truesoups

☐ **H. J. Heinz Finance Company.** Established 1983. Pittsburgh, Pennsylvania.
☐ **Trademark Management Company.** Established 2001. Boise, Idaho.
☐ **ProMark Brands, Inc.** Established 2002. Boise, Idaho.
☐ **Heinz Management L.L.C.** Established 1985. Pittsburgh, Pennsylvania.
☐ **Royal American Foods, Inc.** (Dianne's Gourmet Desserts). Acquired 2002. Le Center, Minnesota.
☐ **HJH Overseas L.L.C.** Established 2002. Pittsburgh, Pennsylvania.

Heinz Mexico, S.A. de C.V. Inc. Established 1999. Mexico City, Mexico.
Delimex de Mexico, S.A. de C.V. Acquired 2002. Mexico City, Mexico.
H. J. Heinz Company of Canada Ltd. Established 1909. North York, Ontario, Canada.

Alimentos Heinz C.A. Established 1959. Caracas, Venezuela.
Nutripet Andina C.A. Established 2001. Caracas, Venezuela.
Alimentos Heinz de Costa Rica. Established 2000. San José, Costa Rica.
☐ **Distribuidora Banquete, S.A.** Acquired 2001. San José, Costa Rica
Alimentos Pilar S.A. Established 1986. Buenos Aires, Argentina.

Europe, Middle East and Africa

U.K. and Ireland

☐ **H. J. Heinz Company Limited,** Established 1917. Hayes Park, Middlesex, England.
☐ **John West Foods Limited.** Acquired 1997. Liverpool, England.
☐ **H. J. Heinz Frozen & Chilled Foods Limited.** Acquired 1999. Hayes Park, Middlesex, England.
☐ **H. J. Heinz Company (Ireland) Limited.** Established 1996. Dublin, Ireland.
☐ **H. J. Heinz Frozen & Chilled Foods Limited.** Established 1993. Dublin, Ireland.

Western Europe

☐ **Ets. Paul Paulet S.A.** Acquired 1981. Douarnenez, France.
☐ **H. J. Heinz S.A.R.L.** Established 1979. Paris, France.
☐ **Heinz Iberica S.A.** Established 1987. Madrid, Spain.
☐ **IDAL (Industrias de Alimentação, Lda).** Acquired 1965. Lisbon, Portugal.

Southern and Eastern Europe

☐ **Heinz Italia S.r.l.** Acquired 1963. Milan, Italy.
☐ **COPAIS Food and Beverage Company, S.A.** Acquired 1990. Athens, Greece.
☐ **Heinz Polska Sp. Z.o.o.** Established 1994. Warsaw, Poland.
☐ **Pudliszki, S.A.** Acquired 1997. Pudliszki, Poland.
☐ **Heinz CIS.** Established 1994. Moscow, Russia.
☐ **Heinz Georgievsk.** Established 1994. Georgievsk, Russia.

Northern Europe

☐ **H. J. Heinz Holding B.V.** Acquired 1958. Elst, Gelderland, The Netherlands. (Includes the former CSM Food Division. Acquired 2001. The Netherlands.)
☐ **H. J. Heinz Belgium S.A.** Established 1984. Brussels, Belgium.
☐ **H. J. Heinz GmbH.** Established 1970. Düsseldorf, Germany.
☐ **Sonnen Bassermann.** Acquired 1998. Seesen, Germany.

European Foodservice

☐ **Heinz Single Service Limited.** Acquired 1995. Hayes Park, Middlesex, England.
☐ **AIAL (Arimpex Industrie Alimentari S.r.l.).** Acquired 1992. Rovereto, Italy.
☐ **Comexo S.A.** Acquired 2001. Chateaurenard, France.

Middle East and India

☐ **Cairo Food Industries SAE.** Established 1992. Cairo, Egypt.
☐ **Heinz India (Private) Limited.** Acquired 1994. Mumbai, India.
☐ **Heinz Israel Limited.** Established 1999. Tel Aviv, Israel.
☐ **Star-Kist Food D'Or Limited.** Acquired 2000. Haifa, Israel.

* As of July 2003

North and Central Africa

- □ **Heinz Africa and Middle East FZE.** Established 2003. Dubai, United Arab Emirates.
- □ **Indian Ocean Tuna Limited.** Acquired 1995. Victoria, Republic of Seychelles.
- □ **Pioneer Food Cannery Limited.** Acquired 1995. Tema, Ghana.

South Africa

- □ **H. J. Heinz (Botswana) (Proprietary) Ltd.** Formed 1988. Gaborone, Botswana.
- □ **Kgalagadi Soap Industries (Pty) Ltd.** Acquired 1988. Gaborone, Botswana.
- □ **Refined Oil Products (Pty) Ltd.** Formed 1987. Gaborone, Botswana.
- □ **Olivine Industries (Private) Limited.** Acquired 1982. Harare, Zimbabwe.
- □ **Chegutu Canners (Pvt) Ltd.** Established 1992. Chegutu, Zimbabwe.
- □ **Heinz South Africa (Pty) Ltd.** Established 1995. Johannesburg, South Africa.
- □ **Heinz Wellington's (Pty) Ltd.** Acquired 1997. Wellington, South Africa.

Pacific Rim and Asia

Heinz Wattie's Australasia. Established 1998.

- □ **H. J. Heinz Company Australia Ltd.** Established 1935. Hawthorn East, Victoria, Australia.
- □ **Heinz Wattie's Limited.** Acquired 1992. Auckland, New Zealand.
- □ **Tegel Foods Limited.** Acquired 1992. Newmarket, Auckland, New Zealand.

Heinz Japan Ltd. Established 1961. Tokyo, Japan.

Heinz-UFE Ltd. Established 1984. Guangzhou, People's Republic of China.

Heinz Cosco. Established 1999. Qingdao, People's Republic of China.

Heinz (China) Investment Company. Established 2002. Hong Kong S.A.R., People's Republic of China.

Heinz-Meiweiyuan (Guangzhou) Food Co., Ltd. Established 2002. Guangzhou, People's Republic of China.

Heinz Korea Limited. Established 1986. Inchon, South Korea.

Heinz Win Chance Ltd. Established 1987. Bangkok, Thailand.

PT Heinz ABC Indonesia. Established 1999. Jakarta, Indonesia.

PT Heinz Suprama. Acquired 1997. Surabaya, Indonesia.

Heinz UFC Philippines. Established 2000. Manila, The Philippines.

Heinz Hong Kong Limited. Established 1997. Wanchai, Hong Kong S.A.R., People's Republic of China.

Heinz Singapore Pte, Ltd. Established 2000. Republic of Singapore.

Heinz Sinsin Pte, Ltd. Acquired 2001. Republic of Singapore.

Heinz: A Definition H. J. Heinz Company is one of the world's leading marketers of branded foods to retail and foodservice channels. Heinz has number-one or number-two branded businesses in more than 50 world markets.

Among the Company's famous brands are *Heinz* (a $2.7 billion global mega-brand), *Ore-Ida, Smart Ones, Classico, Wyler's, Delimex, Bagel Bites, Wattie's, Farley's, Plasmon, BioDieterba, John West, Petit Navire, Greenseas, UFC, Orlando, ABC, Honig, HAK, De Ruijter, Olivine and Pudliszki.* Heinz also uses the famous brands *Weight Watchers, Boston Market, T.G.I. Friday's, Jack Daniel's* and *Linda McCartney* under license.

Heinz provides employment for approximately 38,900 people full time, plus thousands of others on a part-time basis and during seasonal peaks.

Annual Meeting The annual meeting of the Company's shareholders will be held at 11 a.m. on Friday, September 12, 2003, in Pittsburgh at the Pittsburgh Hilton. The meeting will be Webcast live at www.heinz.com.

Copies of This Publication and Others Mentioned in This Report are available from the Corporate Affairs Department at the Heinz World Headquarters address or by calling (412) 456-6000.

Form 10-K The Company submits an annual report to the Securities and Exchange Commission on Form 10-K. Copies of this Form 10-K are available from the Corporate Affairs Department.

Investor Information Securities analysts and investors seeking additional information about the Company should contact Jack Runkel, Vice President-Investor Relations, at (412) 456-6034.

Equal Employment Opportunity H. J. Heinz Company hires, trains, promotes, compensates and makes all other employment decisions without regard to race, color, sex, age, religion, national origin, disability or other protected conditions or characteristics. It has affirmative action programs in place at all domestic locations to ensure equal opportunity for every employee.

The H. J. Heinz Company Equal Opportunity Review is available from the Corporate Affairs Department.

Environmental Policy H. J. Heinz Company is committed to protecting the environment. Each affiliate has established programs to review its environmental impact, to safeguard the environment and to train employees.

The H. J. Heinz Company Environmental, Health & Safety Report is available from the Corporate Affairs Department and is accessible on www.heinz.com.

Corporate Data Transfer Agent, Registrar and Disbursing Agent (for inquiries and changes in shareholder accounts or to arrange for the direct deposit of dividends): Mellon Investor Services LLC, 85 Challenger Road, Overpeck Centre, Ridgefield Park, New Jersey 07660. (800) 253-3399 (within U.S.A.) or (201) 329-8660 or www.melloninvestor.com.

Auditors: PricewaterhouseCoopers LLP,
600 Grant Street, Pittsburgh, Pennsylvania 15219

Stock Listings:
New York Stock Exchange, Inc.
Ticker Symbols: Common-HNZ; Third Cumulative Preferred-HNZ PR

Pacific Exchange, Inc.
Ticker Symbol: Common-HNZ

TDD Services Mellon Investor Services can be accessed through telecommunications devices for the hearing impaired by dialing (800) 231-5469 (within U.S.A.) or (210) 329-8354.

Heinz

H. J. Heinz Company
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Pittsburgh, Pennsylvania 15230-0057
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